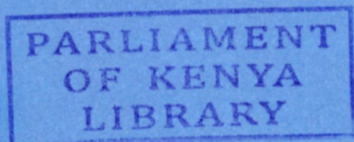


REPUBLIC OF KENYA



Enhancing Accountability

REPORT



OF

THE AUDITOR-GENERAL

ON

KIBWEZI SUB-COUNTY LEVEL 4 HOSPITAL

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

COUNTY GOVERNMENT OF MAKUENI

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

18 JUN 2024

RECEIVED



KIBWEZI SUB COUNTY Level 4 HOSPITAL (Makueni County Government)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2022

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

DATE	17/09/24
TABLED BY	M. Leader
COMMITTEE	—
CLEAR AT THE	Cherop

Table of Contents

1. Key Hospital Information and Management	ii
2. The Board of Management	vi
3. Management Team	viii
4. Chairman's Statement	x
5. Statement of Performance Against Predetermined Objectives	xiii
6. Management Discussion and Analysis	xvi
7. Environmental and Sustainability Reporting	xx
8. Report of The Board of Management	xxii
9. Statement of Board of Management's Responsibilities	xxiii
10. Report of the Independent Auditor (Kibwezi Sub County Hospital)	xxiv
11. Report of Board of Management Committee	xxvi
12. Statement of Board of Management's Responsibilities	xxviii
13. Report of the Independent Auditor (specify entity name)	xxix
14. Statement of Financial Performance for The Year Ended 30 June 2022	1
15. Statement of Financial Position as of 30th June 2022	3
16. Statement of Changes in Net Asset for The Year Ended 30 June 2022	5
17. Statement of Cash Flows for The Year Ended 30 June 2022	6
18. Statement of Comparison of Budget and Actual Amounts for The Year Ended 30 June 2022	8
19. Notes to the Financial Statements	10

1. Key Hospital Information and Management

(a) Background information

Kibwezi Sub County Hospital is a level (4) hospital established under gazette notice number CXXII-24 and is domiciled in Makueni County under the Health Department. The hospital is governed by a Board of Management. It is located in Thange ward, Kibwezi east sub county, Makueni County. It was established by the African medical and research foundation (AMREF) as a dispensary in the year 1977 and was referred to as Kibwezi Rural Health Scheme. In 2013 the facility was handed over to the County Government of Makueni and later upgraded to a level 4 hospital. The facility serves a population of 26,700 and 4200 households with a monthly workload estimated at 6,800. It serves residents of Makueni County and the neighbouring Kitui and Taita Taveta counties. The hospital acts as a sub-county referral centre, receiving patients from various health centres within kibwezi east Sub County.

The facility has 68 bed capacity and offers general outpatient and in-patient services, medical outpatient clinic, laboratory services, pharmacy services, radiology services, maternity and child welfare services, theatre services, comprehensive care clinic, paediatric outpatient clinic, occupational services, nutritionist services, physiotherapy services, psychosocial services and ambulance services

(b) Principal Activities

The principal mandate of the hospital is to offer high quality and affordable health care services to its citizens.

Vision

An efficient and high-quality health care system that is accessible, equitable and affordable for all Kenyans

Mission

To promote and participate in the provision of integrated and efficacious, promotive, preventive, curative and rehabilitative health care services to all Kenyans.

Key Management

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

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

(c) Fiduciary Management

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

No.	Designation	Name
1.	Medical Superintendent	Dr. James Mbiu
2.	Health Administrative Officer	Geoffrey kirui
3.	Nursing Officer In charge	Patricia Mutinda
4.	Accountant	Wambua Savali
5.	Procurement Officer	Daniel Musili

(d) Fiduciary Oversight Arrangements

- **Makueni County Assembly;** The County Assembly enacted the various legislation and performed the oversight required. They also reviewed the external audit reports and financial statements of the County Government as required by the law.
- **Controller of Budget (COB);** COB Provided the required guidelines in budget execution, through the county government and processed requisition for funds transferred to the hospital by makueni county government department of health services and provided oversight in budget implementation.
- **National Treasury (NT);** The NT Processed exchequer funds received from makueni county government, provided guide lines in preparation of hospital annual reports and financial statements.
- **Commission on Revenue Allocation (CRA);** CRA provided support in revenue allocation indirectly via makueni county government and also undertook the County Credit Rating;
- **Makueni County Audit Committee;** The Committee supported the hospital by reviewing internal audit reports shared by our mother department of health services and ensured corrective actions were taken to safeguard the internal controls of the County's financial operations. It also spearheaded preparation of the county risk management framework which was disseminated to the hospital.
- **Public Sector Accounting Standards Board;** The board developed the financial reporting templates and provided guidance on the accounting standards to be adopted by level 4 and 5 county hospital.

County health authority to incur expenditure committee. The committee has been reviewing hospital budget, implementation, hospital operations and pending bills report to ensure that funds received are accounted for, suppliers are paid in good time and the hospital continues to offer high quality health care services

- **Development partners;** we worked with our development partners mainly Centre for health, educational and biosafety Kenya who supported HIV programmes and capacity building among the hospital staff.
- **Clinical Research and Standards Committee:** We have a functional clinical committee which meets on weekly basis to ensure adherence to quality care, mortality audits and other relevant clinical objectives are met. It assists the hospital in ensuring quality standards are adhered, patient safety is ensured and medical errors are minimized.
The Committee responsibility is to:
 - Review the weekly ward round reports
 - Review and reprioritize the utilization of Hospital clinical resources
 - Set performance targets for clinical units
 - Review various research findings and related policy documents
 - Review clinical audit reports and follow-up on implementation of recommendations
- **Hospital management committee:** Hospital management committee consists of head of departments. It is chaired by the medical superintendent and the secretary is health administrative officer. The members meet on monthly basis to discuss, evaluate and strategize for the day to day running of the hospital. Members share the departmental reports, data analysis and the trends of utilization of services.
- **Executive Expenditure committee**
This committee consists of the executive managers who meet on monthly basis to review the hospital expenditure.

(e) **Kibwezi Sub County Hospital**

P.O. Box 72-90137
Hospitals Building Kibwezi
Makueni, Kenya

(f) **Hospital Contacts**

Telephone: (+254) 719690834
E-mail: kibwezidmoh@gmail.com
Website: www.kibwezisubcountyhospital.go.ke

(g) **Hospital Bankers**

Kenya Commercial Bank
Kibwezi branch

(h) Independent Auditors





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

(i) Principal Legal Adviser




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

(j) County Attorney
P.O. Box 78-90300
MAKUENI, Kenya

2. The Board of Management

Ref	Directors	Details
1.	<p>Peter Muia Nthenga- Chairman</p> 	<p>Aged 75 years. He is the chairman of the hospital board of management. He holds Diploma in Clinical medicine from KMTC Machakos. He has over 20 years of experience working as a clinical officer.</p>
2.	<p>Regina Mueni Kithua- Member</p> 	<p>Aged 72 years. She is a member of the hospital Board of management. She holds diploma in nursing in from KMTC Machakos. Regina has worked at Porteiz hospital in Mombasa for over 15 years as a nurse.</p>
3.	<p>Sylvester Muendo Kilungya- Member</p> 	<p>Aged 30 years. He is a member of the Board of management representing the youth, he holds Bachelor degree in agriculture and economics and resource management from Moi University. Currently he is working with world Agro Forest with over 3 years of experience in agribusiness</p>
4.	<p>Nicholas Musyoki Wambua- Member</p> 	<p>Aged 43 years. He is a member of the Board of management representing religious groups. He holds diploma in theology .He has 4 years of experience working as a pastor.</p>

Kibwezi Sub-County Hospital (Makueni County Government)
Annual Report and Financial Statements for the Period Ended 30th June, 2022

5.	<p>Jedidah Katunge Joseph - Member</p> 	<p>Aged 33 years. She is a member of the Board of management. She holds diploma in education from regional teacher's college and Bachelor of Education from Mount Kenya University. Currently she is working as a high school teacher.</p>
6.	<p>Dr. James Mbiu- Secretary</p> 	<p>Aged 33 years. He is secretary to the Board of management. He holds bachelor of medicine and surgery from Kenyatta university. He has over 4 years practising as a medical doctor at Kibwezi Sub County Hospital.</p>
7.	<p>Thomas Tuta- Member</p> 	<p>He is a member of the Board of management. He holds a Bachelor degree in project management and planning and Masters in project management and planning from University of Nairobi. He is the sub county administrator Kibwezi East Sub County.</p>

3. Management Team

Ref	Management	Details
1.	<p>Dr. James Mbiu</p> 	<p>Aged 33 years. Dr James Mbiu is the Medical Superintendent. He holds Bachelor Degree in Medicine and Surgery from Kenyatta University. He has over 4 years of experience working as a medical doctor at Kibwezi Sub County Hospital.</p>
2.	<p>Geoffrey Kirui</p> 	<p>Aged 45 years. Geoffrey Kirui is the Health Administrative Officer. He holds bachelor degree in business administration from Masai Mara University. He worked in Makindu sub county hospital before joining Kibwezi sub county hospital in 2019</p>
3.	<p>Patricia Mutinda</p> 	<p>Aged 45 years .Patricia Mutinda is the Nursing Officer in charge .She holds diploma in community health nursing from KMTC Nairobi and has over 6 years of experience working as nursing officer in charge.</p>
4.	<p>Daniel Musili</p> 	<p>Aged 31 years. Daniel Musili is the procurement officer Kibwezi Sub County Hospital. He holds Bachelor Degree in procurement from Mount Kenya University and has over 5 years of experience working as a procurement officer.</p>
5.	<p>Savali Wambua</p>	<p>He is the hospital accountant. He holds Degree in Bachelor of commerce accounting option, CPAK holder and MBA finance from Kenyatta university.</p>

4. Chairman's Statement.

It is my pleasure to present the annual report and the financial statement of Kibwezi Sub County Hospital for the year ended 30th June 2022. The Hospital is committed in providing timely, cost effective and service centred specialized health care service to the citizens. Amid the challenges faced in the financial year 2021/2022, the hospital has remained resilient and successful while delivering on its core mandate. I extend my appreciation to the management team and staff of Kibwezi Sub County Hospital for their commitment, diligence and dedication that ensured the highest quality service delivery and improved performance this financial year

The key activities undertaken by the hospital in the financial year 2021/2022 include; Commissioning and operationalization of the paediatric ward with a 20 bed capacity, Construction of counselling booth and massive Covid 19 immunization. The hospital adopted automated cashless system of cash collections as from February. This has been a great milestone in revenue collection of the Hospital.

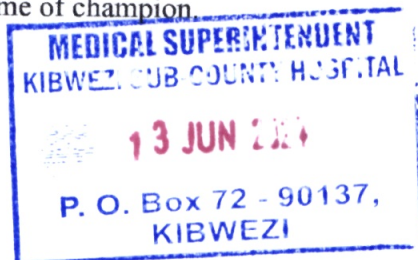
Challenges faced by the hospital within the year that hampered effective performance included; the grounding of three (3) ambulances which increased the turnover time of handling referral cases. The hospital had insufficient biochemistry reagents owing to their cost making it impracticable to deal with some patient cases. The hospital experiences shortages of non-pharmaceuticals, low bed capacity and poor infrastructure.

Kibwezi sub county hospital serves a large population and the challenges need to be addressed appropriately so that the patients' needs are met. This include ensuring availability of an ambulance for smooth and fast referrals and timely procurement of enough pharmaceuticals and non-pharmaceuticals for better service delivery

I am confident that as a team, our commitment and dedication will make Kibwezi Sub County Hospital to be the best sub county hospital in Makueni. I salute all stakeholders for the hard work to transform the hospital to be the home of champion.

Peter Nthenga

For [Signature]



Chairman-Board of Management- Kibwezi Sub County Hospital

Report of the Chief Executive Officer

The financial year 2021/2022 has seen Kibwezi Sub County Hospital experience continuous improvement in service delivery and maintenance of the hospital transformational agenda. The hospital maintained a steady growth throughout the year through efforts of the Management team and the Hospital staff. The team has overtime embraced a commendable team work spirit. Kibwezi Sub County Hospital was given an award for the nurse led initiative of the year in Makueni County.

The hospital, through H.E Kivutha Kibwana commissioned the pediatric ward in May 2022. This has enabled the hospital to handle children cases effectively. The Construction of the counselling booth in the hospital made it possible to have privacy of our clients while seeking medical assistance. This has created confidence in the Hospital clients while seeking medical attention since their cases are handled privately. The Kibwezi Sub County Hospital has helped in reducing the number of hospitalization and deaths through Covid 19 vaccination/ immunization program.

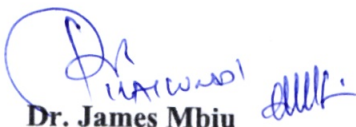
The hospital managed to achieve its goals for the year which included; the introduction of a cashless system, automation of collection system and the operation of the pediatric ward which led to a reduction of patient congestion in maternity ward. The cashless system and the automated collection system has helped increase the hospital revenue collections.

Kibwezi sub county Hospital has recorded an increase in revenue collection over a period of time FIF over the last 5 years has had its highest collections in the FY 2021/2022 at Kshs 7,725,000 from 3,003,000 in the year 2017/2018. The Hospital achieved the high revenue through automation of their collection system and adoption of a cashless system. NHIF source of revenue has as well increased overtime from Kshs 8,141,000 in 2017/2018 to Kshs 18,503,000 in 2021/2022. Automation of NHIF system contributed to the high collections in 2021/2022. Timely submission of claims too has led to the periodic increase in the revenues. A decrease was however recorded in the FY 2020/2021 resulting from a decrease in reimbursement rate due to the change of claim submission from manual claims to e-claims. UHC increased collections from Kshs 9,675Million in 2017/2018 to Kshs 15,700 million in 2021/2022.

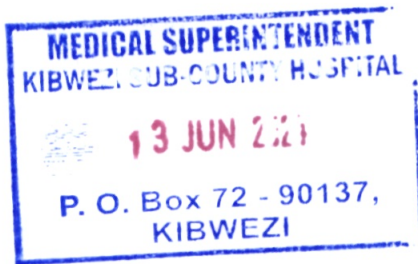
Kibwezi Sub-County Hospital (Makueni County Government)
Annual Report and Financial Statements for the Period Ended 30th June, 2022

The continuous increase resulted from a change by the Makueni County Government from reimbursement based on invoices raised to reimbursement based on the hospital workload.

Besides the great achievements by the hospital, we faced a myriad of challenges including: Challenge of referring the patients for lack of standby ambulances. This caused the turnaround time for patient referral to other facility to take longer. Insufficient biochemistry reagents rendered it impossible to carry out tests that could have been done from the hospital. Shortages of non-pharmaceuticals, infrastructure and shortage of patient beds were other aspects that hampered normal operations of the hospital.



Dr. James Mbiu
Medical Superintendent-
Kibwezi Sub County Hospital



5. Statement of Performance Against Predetermined Objectives

Kibwezi Sub County Hospital has 5 strategic pillars within the current Strategic Plan for the FY 2021/2022.

These strategic pillars are;

1. Service delivery
2. Health workforce
3. Medical products and technology
4. Health information
5. Financing

Kibwezi Sub County Hospital develops its annual work plans based on the above 5 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The hospital achieved its performance targets set for the FY 2021/2022 period for its 5 strategic pillars, as indicated in the table below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Service delivery	Reduce patients turnaround time from 30 minutes to 20 minutes	Time taken by patient	Reduce patient waiting time in each department Ensure adequate working of the EMR	Patient taking less than 30 minutes
Health workforce	ensure adequate staff availability	number of staff working	Recruitment Payment of locum allowances	Enough staff availability
Medical products and technology	Ensure proper usage of available commodities	Available commodities	Use of proper bin cards control system Early adequate ordering	Availability of commodities

Kibwezi Sub-County Hospital (Makueni County Government)
Annual Report and Financial Statements for the Period Ended 30th June, 2022

Health information	Use of accurate data for decision making	Data analysis	Proper documentation Data quality audit	Accurate data availability
Financing	Increase revenue generation from 10% to 20% Reduce inappropriate waivers and exemptions	To increase stream of revenue collection Introduction of universal healthcare scheme	Use of cashless system System automation To carry out sensation on Linda mama and NHIF	Revenue increased from 10% to 15% Waiver and exemption reduced by 5%

Corporate Governance Statement

Kibwezi Sub County Hospital is committed to ensuring that the needs of our customers and the expectations of our stakeholders are met while safeguarding the investments of the Government of Kenya through the adoption of ethically driven business policies, procedures and processes. This has resulted to delivery of sustainable value to the various stakeholders. We believe that our business affairs should be carried out in a fair, transparent and accountable manner. It is our integral responsibility to disclose timely and accurate information on our financials and performance as well as provide the leadership and effective governance for the hospital. The main corporate governance structures and practices that guide the Board are as discussed below;

The Kibwezi Sub County Hospital Management committee is responsible for the overall governance of the hospital and is accountable to the Government for ensuring that the hospital complies with the law and the highest standards of best practices corporate governance and business ethics. The members are committed to fostering a culture that values ethical behaviour, integrity and respect and the need to conduct business and operations of the hospital in accordance with generally accepted corporate practices. The members believe that adopting and operating in accordance with high standards of corporate governance is essential for sustainable long-term performance and value creation.

In discharging its mandate, the Board is guided by the Board Charter, Code of Conduct and Ethics, and Board Manual to effectively fulfil its corporate governance responsibility towards stakeholders. The Board has also adopted Guidelines on Corporate Governance developed by the Mwongozo Code of Governance for State Corporations. The Board Charter defines the roles, responsibilities, scope and functions of the Directors in the governance of the hospital and provides for free exercise of independent judgment. The Board provides oversight to the Management and ensures the employees operate within the Code of Conduct and Ethics; Public Officers and Ethics Act; Leadership and Integrity Act; and Mwongozo Code of Governance for State Corporations.

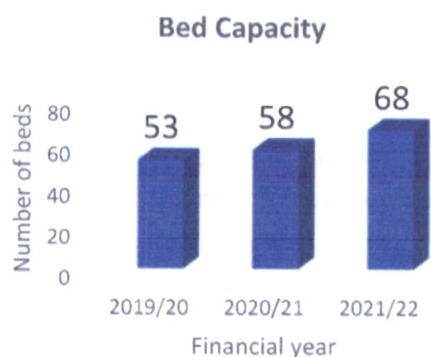
The Kibwezi Sub County Hospital management committee comprises of eleven (11) members including the medical superintendent. Seven (7) members of the committee are independent non-executive including the Chairman, all drawn from the private sector. The remaining four (4) members represent the following institutions –medical superintendent who is the secretary, sub county MOH, and sub county administrator and deputy county commissioner. The committee members are appointed by H.E. the governor through a gazette notice and they each serve for a maximum of two terms of three (3) years.

6. Management Discussion and Analysis

Kibwezi Sub County Hospital is concerned with two broad aspects namely operational/clinical performance and financial performance. These two aspects determine the state of the hospital. Clinical performance is concerned with aspects like the bed capacity, Outpatient, inpatient and special clinics attendance, Average length of stay, bed occupancy, mortality rate and theatre utilisation. Financial performance is concerned with the revenues collected by the hospital to carry out its day to day mandate. The different aspects are discussed below.

i. Clinical/operational performance

a) Bed capacity



The hospital has seen a steady increase in the hospital bed capacity from 53 beds in the FY 2019/2020 to 58 beds in FY 2020/2021 and 68 in the FY 2021/2022. In the FY 2020/2021 the hospital created extra admission room and borrowed 5 beds from rural facilities increasing the number to 58 beds. In the FY 2021/2022 a new ward was constructed and the hospital borrowed 8 beds from Nthongoni increasing bed capacity to 68 beds.

b) Outpatient, inpatient and special clinics attendance

Outpatient attendance

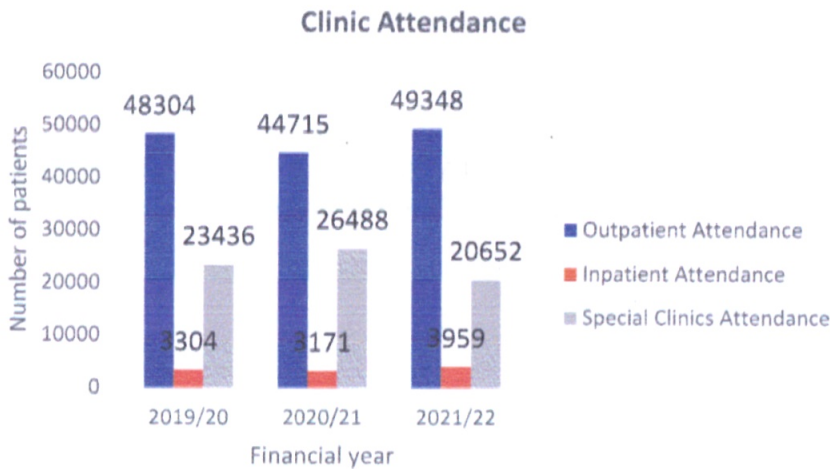
In the f/y the financial 2019/2020 the outpatient recorded 48,304 patients. The number decreased to 44,715 patients in the FY 2020/2021 occasioned by the Covid 19 restrictions which caused a decrease in the number of patients seeking medical assistance. In the f/y 2021/2022 the outpatient attendance increased to 49,348 patients attributable to the decrease in the Covid 19 restrictions and the introduction of the counselling booth.

Inpatient attendance

In FY 2019/2020 the inpatient recorded 23,436 patients. This increased by 52 patients in the FY 2020/2021 to 26,488 patients occasioned by introduction of UHC where majority could be able to afford the services. The inpatient attendance decreased by 2,784 patients to 20,652 patients in the FY 2021/2022 after the increase in the subscription amount of the UHC card from Kshs 500 to Kshs 1,000.

Special Clinics

Special clinics attendance experienced a decrease of 133 patients in the FY 2020/2021 due to the Covid 19 outbreak that saw many people hesitate seeking medical assistance. The number increased considerably by 788 patients in the FY 2021/2022 from 3,171 patients to 3,959 patients. This was occasioned by decrease in the Covid 19 cases, introduction of the paediatric wards, gynaecologist clinics and the counselling booth.

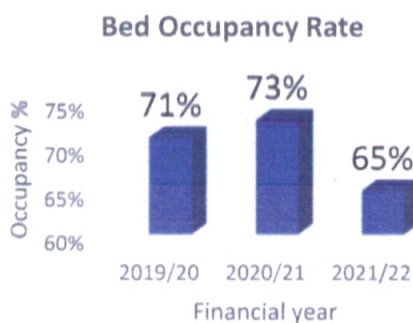


a) Average length of stay (ALOS)



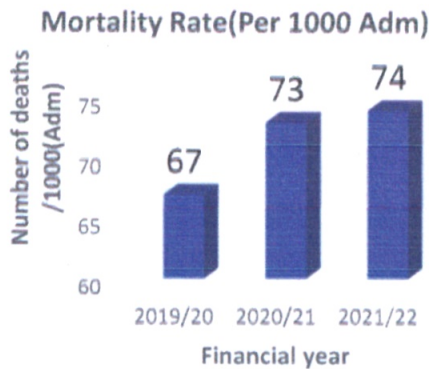
The average length of stay is an indicator of efficiency in the provision of inpatient health care in the hospital. The average length of stay was 5 days for FY 2019/2020 and the FY 2021/2022. The Average length of stay was 7 days in the FY 2020/2021 attributable to the Covid 19 outbreak that saw patients take longer in hospitals. Patients with underlying conditions were also highly affected and were admitted for averagely longer than the normal period.

b) Bed Occupancy



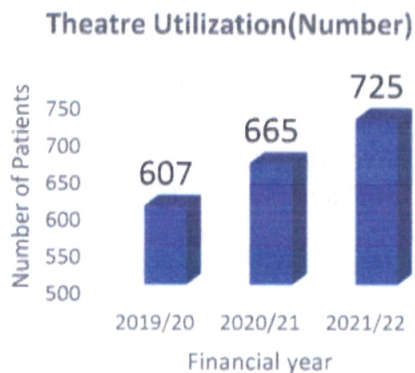
Bed occupancy increased in FY 2020/2021 by 2% owing to the introduction of UHC that had many patients afford medical care and the Covid 19 outbreak. A decrease of 8% was recorded in FY 2021/2022 due to the increased bed capacity by the introduction of the paediatric ward and reduced Covid 19 cases.

c) Mortality Rate



The mortality rate has increased steadily from 67/1000 admissions deaths in FY2019/2020 to 74/1000 admission deaths in FY2021/2022. This The hospital strives to record a decrease in mortality rate.

d) Theatre Utilization



Theatre utilization in FY 2019/2020 was 607 and increased to 665 in the FY 2020/2021, in the f/y 2021/2022 increased to 725. The construction of Kibwezi Kitui road has enabled the facility to be accessible and eased the referral mechanisms from neighbouring facilities and patients have confidence with the theatre staff leading to the increase in patients seeking theatre facility.

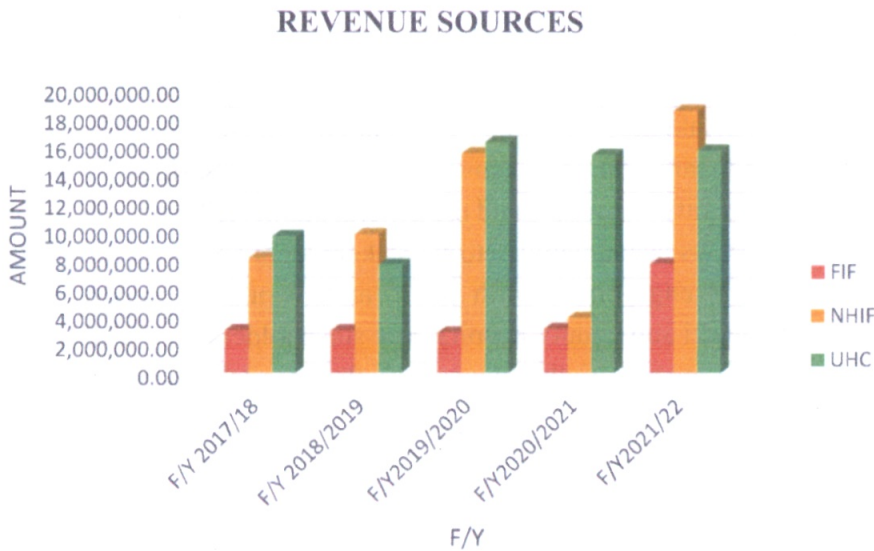
ii) Financial performance

a) Revenue Sources

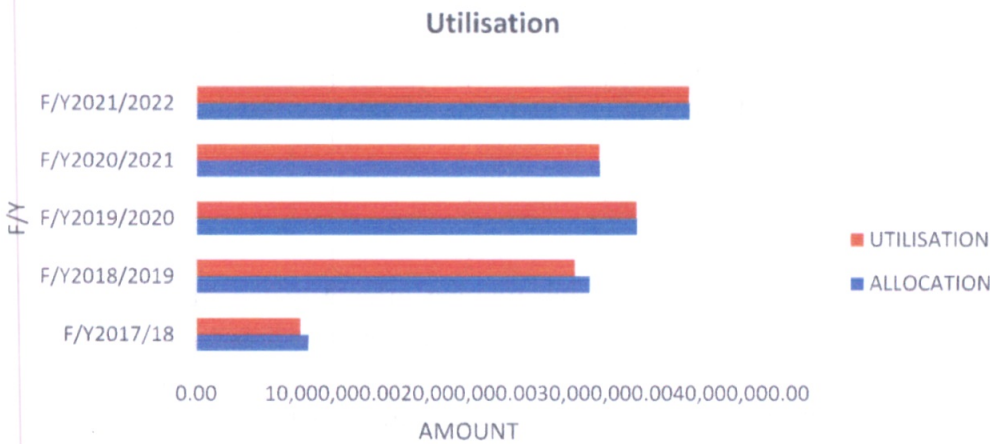
The hospital has three main sources of revenue namely, FIF, Universal Health Care and NHIF. FIF over the last 5 years has had its highest collections in the FY 2021/2022 at Kshs 7,725,000 from 3,003,000 in the year 2017/2018. The Hospital achieved the high revenue through automation of their collection system, adoption of a cashless system and of an increase in UHC registration amount that made patients shift from UHC.

NHIF source of revenue has as well increased overtime from Kshs 8,141,000 in 2017/2018 to Kshs 18,503,000 in 2021/2022. Automation of NHIF system has contributed to the high collections in 2021/2022. Timely submission of claims too has led to the periodic increase in the revenues. A decrease was however recorded in the FY 2020/2021 resulting from a decrease in reimbursement rate due to the change of claim submission from manual claims to e-claims.

UHC increased collections from Kshs 9,675Million in 2017/2018 to Kshs 15,700 million in 2021/2022. The continuous increase resulted from a change by the Makueni County Government from reimbursement based on invoices raised to reimbursement based on the hospital workload. The graph below represents the trends in revenue collections for Kibwezi Sub County hospital for a period of 5 years.



a) Utilization



The revenue allocated during the period was utilized to fund hospital expenditure and operations. 99% of the revenue allocated every financial year is fully utilized to fund the hospital operations in the said period.

7.Environmental and Sustainability Reporting

Kibwezi Sub County Hospital exists to transform lives. It's what guides us to deliver our strategy, putting the client/Citizen first, delivering health services, and improving operational excellence.

i) Sustainability strategy and profile

Stakeholder engagement

Kibwezi sub county hospital key stakeholders comprise of: patients, doctors, employees and trade unions, suppliers, healthcare funders, government and authorities, industry associations, investors, the community, the media and the general public. Kibwezi sub county hospital takes into recognition of its accountability to its stakeholders and is committed to efficient and effective in regular engagement with them, and to publicly report on its sustainability performance. Kibwezi sub county hospital key stakeholders are those groups who have a material impact on, or are materially impacted by the hospital and its operations

ii) Environmental performance

The Hospital's main environmental impacts are the utilisation of resources, predominantly energy, through consumption of electricity and water, and the disposal of healthcare risk waste. The Hospital is fully aware of the need to use resources responsibly and is committed to minimising its environmental impacts to the extent possible.

The Hospital recognises the risks that regulatory changes, environmental constraints and climate change present to its operations. Potential impacts include rising costs, reduced access to facilities, interruptions in service, and incidents of extreme weather events as a result of

iii) Employee welfare

The employment of employees is done and on the job training offered to the staff. Frequent meetings to train and guide them on infections and necessary prevention measures are held. Focus to employ from the nearby community as a way of giving back to community is considered. The focus of attracting and utilising talent in a challenging healthcare market continues to be our most concern. Kibwezi sub county hospital management has focused on creating conducive work environment in order to attract, train and retain workers to minimise on underutilisation of the human capital resource. We have continuously through the human resource and advisory committee improved the capacity, skills and knowledge of staff through approving of trainings, supporting conference attendance and supporting and financing senior management courses.

iv) Market place practices-

Kibwezi sub county hospital has made efforts to support:

a) Responsible competition practice.

The hospital ensures all the clients are given receipt for any money paid and are given services they have paid for. Posters, aboard is put in strategic place for services rendered for all to read.

b) Responsible Supply chain and supplier relations

The hospital adopts a fair prequalification practise where all interested stakeholders who need to trade with the hospital are required to submit their company documents every 2 years for prequalification. Those who meet the needed criteria are shortlisted and send for quotations whenever there is need to procure. The best evaluated is then granted the opportunity to supply the goods and payments are done promptly.

c) Responsible marketing and advertisement

Kibwezi sub county hospital has mostly concentrated on creating on awareness of the service offered, through social media, community support and organising for outreaches. When clients are served well, they advertise and inform others about the good quality services available which are friendly and cost effective

d) Product stewardship

Kibwezi sub county hospital has displayed a service charter on all the service offered to assist in improving on efficiency and effective on service delivery. Patients are provided with receipts as a proof of the service offered

v) Corporate Social Responsibility / Community Engagements

Kibwezi sub county hospital seeks to impact lives through corporate social responsibility initiatives. The initiatives are aimed at improving lives and enhance engagement with the public. The hospital held mother's day meetings where over 200 mothers attended and were educated about breast feeding, hygiene practise, given pampers, lessos, sodas and bread as a way of giving back to the community.

8. Report of The Board of Management

The Board members submit their report together with the Audited Financial Statements for the year ended June 30, 2022, which show the state of the hospital's affairs.

Principal activities

Kibwezi sub county hospital offers; general outpatient and in-patient services, medical outpatient clinic, laboratory services, pharmacy services, dental services, radiology services, maternity and child welfare services, theatre services, comprehensive care clinic, physiotherapy services, psychology services, ambulance services and teaching /training for KMTC students

Results

The results of the hospital for the year ended June 30 are set out on page 1-8

Board of Management

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

Auditors

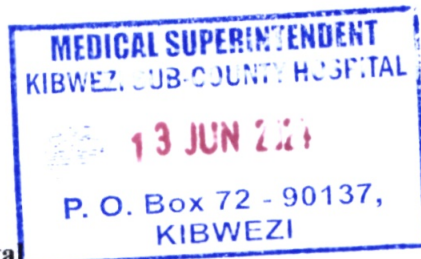
The Auditor General is responsible for the statutory audit of the Kibwezi Sub County Hospital in accordance with Article 229 of the Constitution of Kenya

By Order of the Board



Dr James Mbiu
Board secretary-

Kibwezi Sub County Hospita



9. Statement of Board of Management's Responsibilities

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


The Board of Management is responsible for the preparation and presentation of the Kibwezi sub county hospital financial statements, which give a true and fair view of the state of affairs of the hospital for and as at the end of the financial year (period) ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the hospital, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the Kibwezi sub county hospital (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

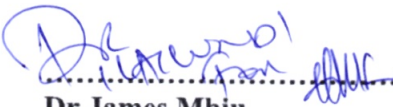
The Board of Management accepts responsibility for the Kibwezi Sub County hospital financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS),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

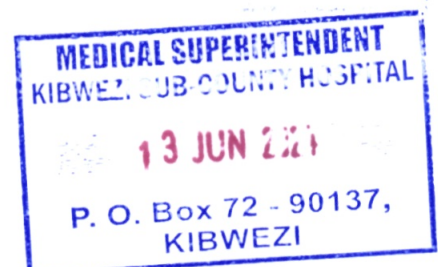
Nothing has come to the attention of the Board of management to indicate that the Kibwezi Sub County hospital will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Hospital's financial statements were approved by the Board on 13/06/22 and signed on its behalf by:


.....
Peter Nthenga
Chairperson
Board of Management


.....
Dr James Mbiu
Accounting Officer



10. Report of the Independent Auditor (Kibwezi Sub County Hospital)

THE INDEPENDENT AUDITOR
KIBWEZI SUB-COUNTY HOSPITAL
MAKUENI COUNTY GOVERNMENT
KIBWEZI
KENYA

The facility has also initiated debriefing sessions for staff through a psychologist. Plans to upgrade rehabilitation unit into a well being centre are underway to allow employees work out after work.

v) *Market place practices-*

Kibwezi sub county hospital has made efforts to support market place practices;

e) *Responsible competition practice.*

The hospital ensures all the clients are given receipt for any money paid and are given services they have paid for.

Competitive procurement adhered to.

f) *Responsible Supply chain and supplier relations*

The hospital adopts a fair pre-qualification practise where all interested stakeholders who need to trade with the hospital are required to submit their company documents every 2 years for pre-qualification. Those who meet the needed criteria are shortlisted and send for quotations whenever there is need to procure. The best evaluated is then granted the opportunity to supply the goods.

g) *Responsible marketing and advertisement*

Kibwezi sub county hospital has mostly concentrated on creating awareness of the service offered through service charters, community support and organizing for outreaches. When clients are served well, they advertise and inform others about the good quality services available which are friendly and cost effective

h) *Product stewardship*

Kibwezi sub county hospital has displayed a service charter on all the service offered to assist in improving on efficiency and effective on service delivery. Patients are provided with receipts as a proof of the service offered

vi) *Corporate Social Responsibility / Community Engagements*

Kibwezi sub county hospital seeks to impact lives through corporate social responsibility initiatives. The initiatives are aimed at improving lives and enhance engagement with the public. The hospital held Maternity open day meetings where over 500 mothers attended and were educated on breast feeding, hygiene practise, given pampers, lessos, sodas and bread as a way of giving back to the community.

A monthly integrated outreach is conducted at Ndauni where health services are provided to the community

11. Report of Board of Management Committee

The committee members submit their report together with the Audited Financial Statements for the year ended June 30, 2023, which show the state of Kibwezi Sub County Hospital affairs. The committee acts as a bridge between the community and the hospital. We articulate health issues to the community in a way they can understand. The committee meets on a quarterly basis to review performance, primary health care and budgeting. We also approve departmental work plans developed by the heads of departments. These work plans are derived from the annual work plans of the facility.

For the period ending 30th June 2021, the facility collected KES 3,085,728. The money rose to KES 7,743,891 in the year ending to 30th June 2022. The collection further increased to KES 9,771,791 in the year ending 30th June 2023. The upward trend is a result of increasing workload in the years.

NHIF funds are monies paid by NHIF for services provided to NHIF patients by the facility. For the period ending 30th June 2021, the facility was paid KES 5,766,358. The money increased to KES 19,081,890 in the same period ending 30th June 2022. The increment was attributed to payment of amount owed in the financial year 2020-21. In the financial year 2022-23, the amount paid by NHIF slightly declined to KES 17,020,450. This can be explained by payment patterns in NHIF.

UHC funds are money paid by the county government of Makueni for services provided to UHC patients. KES 15,400,000 was paid in the financial year 2020-2021. In the following year 2021-2022, KES 15,700,000 was also provided by the county government. In the financial year 2022-2023, KES 10,005,000 was provided by the county government.

The facility faces limited space to accommodate both the administrative and clinical services. In most offices, there is sharing and no privacy. This situation is worse in the outpatient department where there is over-crowding, lack of enough consultation rooms, limited space for medicals records and congestion in the wards. Underfunding and delayed disbursement of funds has affected the day-to-day operations of the hospital. The major expenditures in facility include but not limited to payment of salaries, buying of pharmaceuticals, Non pharmaceuticals, Dental and medical equipment, medical gases, maintenance of plant building and equipment, casual and contracted professional wages, water and sewerage, bedding and linen, laboratory reagents, food and ration, sanitary and cleansing, fuel for transport and production, publishing printing and general office supplies among others.

Having grown from a Health Centre to a level 4 facility, additional staff including medical specialist are required to ensure effective service provision. The limited staff are currently facing burnout and

demotivation, therefore staff motivation activities like team building, locums, bench marking, awarding best performing staff and end year parties will come in handy.

Principal activities

Kibwezi sub county hospital offers; general outpatient and in-patient services, medical/surgical/paediatric and gynaecological outpatient clinics, laboratory services, pharmacy services, dental services, radiology services, maternity and child welfare services, theatre services, comprehensive care clinic, physiotherapy services, psychology services, ambulance services and teaching /attachment for medical students.

Results

The results of the hospital for the year ended June 30 are set out on page 21-39


Hospital Management committee

The members of the committee who served during the year are shown on page. 7 &10

Auditors

The Auditor General is responsible for the statutory audit of the Kibwezi Sub County Hospital in accordance with Article 229 of the Constitution of Kenya

By order of the committee


Dr James Mbiu
Management committee secretary-
Kibwezi Sub County Hospital



12. Statement of Board of Management's Responsibilities

Section 164 of the Public Finance Management Act, 2012, hospitals should quote the applicable legislation under which they are regulated, requires Management committee to prepare financial statements for the hospital, which give a true and fair view of the state of affairs of the Kibwezi sub county hospital at the end of the financial year/period and the operating results of the hospital for that year/period. The Management committee is also required to ensure that the facility keeps proper accounting records which disclose with reasonable accuracy the financial position of the hospital. The committee members are also responsible for safeguarding the assets of the hospital.

The Management committee is responsible for the preparation and presentation of the Kibwezi sub county hospital financial statements, which give a true and fair view of the state of affairs of the hospital for and as at the end of the financial period ended on June 30th June, 2023.

This responsibility includes:

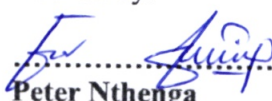
- (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period
- (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the hospital
- (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud
- (iv) safeguarding the assets of the Kibwezi sub county hospital
- (v) selecting and applying appropriate accounting policies
- (vi) Making accounting estimates that are reasonable in the circumstances.

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

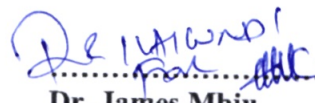
Nothing has come to the attention of the management committee to indicate that the Kibwezi Sub County hospital will not remain operational for at least the next twelve months from the date of this statement.

Approval of the financial statements

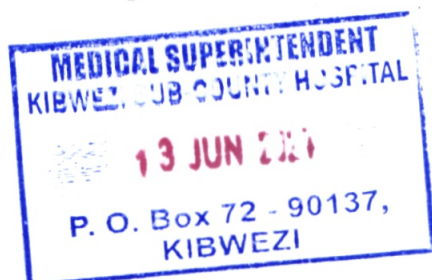
The Hospital's financial statements were approved by the Committee on 13/06/24 and signed on its behalf by:


.....

Peter Nthenga
Chairperson
Hospital Management Committee


.....

Dr. James Mbiu
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 KIBWEZI SUB-COUNTY LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2022 - COUNTY GOVERNMENT OF MAKUENI

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kibwezi Sub-County Level 4 Hospital County Government of Makueni set out on pages 1 to 51, which comprise of

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kibwezi Sub-County Level 4 Hospital - County Government of Makueni as at 30 June, 2022 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, the County Governments Act, 2012, and the Health Act, 2017.

Basis for Qualified Opinion

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

The statement of financial performance reflects employee costs of Kshs.10,605,546 for casuals and contractual staff as disclosed in Note 16 to the financial statements. The Hospital also received services from medical staff employed and paid for by the County. However, the expenditure was not disclosed in the financial statements and the payroll was not provided for audit.

In the circumstances, the accuracy and completeness of employee costs of Kshs.10,605,546 could not be confirmed.

2. Non-Disclosure of Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.106,667 as disclosed in Note 31 to the financial statements. However, the facility had movable and non-movable assets of undetermined value relating to land, buildings, furniture and fittings, motor vehicles and computers which were neither valued nor disclosed in financial statements.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.106,667 could not be confirmed.

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

Key Audit Matters

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

Other Matter

Poor State of the Hospital Infrastructure

Physical inspection of the Hospital's facilities in the month of April, 2024 revealed that the Hospital did not have a theatre operating room, which is critical for the achievement of universal health coverage. Further, the functional X-ray machine is analogue which uses films which have been rendered obsolete by technology and may not be readily available in the market. The Hospital had no mortuary resulting to dependency on Kambu Level 4 Hospital and other private facilities within its environs. Further, a number of hospital buildings and the staff quarters are old, dilapidated and require major facelift particularly the general ward and the pediatric ward which have leaking roofs and poses health and environmental hazards in the service delivery.

In the circumstances, the provision of Universal Health Coverage as envisaged could not be ascertained.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Late Submission of Financial Statements

The financial statements of the Hospital for the financial year ended 30 June, 2022 were submitted for audit on 06 April, 2023, six (6) months after the statutory deadline. This was contrary to Section 68(2)(k) of the Public Finance Management Act, 2012 which requires an Accounting Officer to prepare annual financial statements for each financial year within three months after the end of the financial year and submit them to the Auditor-General for audit.

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

2. Failure to Prepare Quarterly Revenue Reports

The statement of financial performance reflects an amount of Kshs.7,743,891 in relation to the rendering of services - medical income as disclosed in Note 11 to the financial

statements. However, the Hospital did not provide evidence to show that the reports were prepared and submitted the same to the County treasury with a copy to the Auditor-General. This was contrary to Regulations 64 (1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer or receiver of revenue or collector of revenue to prepare a quarterly report not later than the 15th day after the end of the quarter.

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

3. Deficiencies in Implementation of Universal Health Coverage

Review of Hospital records and interviews on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits by staff requirements of forty-two (42) or forty-two percent (42%) of the 101 authorized establishment.

Personnel	Level 4 Standard	Actual Numbers	Variance	Percentage %
Medical Officers	16	5	11	69
Anaesthesiologists	2	0	2	100
General Surgeons	2	0	2	100
Gynaecologists	2	1	1	50
Paediatrics	2	0	2	100
Radiologists	2	0	2	100
Kenya Registered Community Health Nurses	75	53	22	29
Total	101	59	42	42

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

Services	Required	Available	Variance	Percentage %
Incubators (New Born)	5	1	4	80
Cots	5	0	5	100
Functional ICU Beds	6	0	6	100
HDU Beds	6	0	6	100
Renal Unit with Dialysis Machine	5	0	5	100
Functional Operating Theatres Maternity and General Surgeries	2	1	1	50

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, Management will not be able to deliver on its mandate.

4. Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.8,247,713 as disclosed in Note 34 to the financial statements. The balance relates to general suppliers of goods and services, and pharmaceutical items. However, Kshs.5,879,355 of the balance, had been outstanding for more than one year. This was Contrary to Section 53(8) of the Public Procurement and Asset Disposal Act, 2015 which states that an Accounting Officer shall not commence any procurement proceedings until satisfied that sufficient funds to meet the obligations of the resulting contract (s) are reflected in approved budget estimates

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Incomplete Fixed Assets Register

The summary fixed assets register for the year under review did not reflect all the assets like land, buildings, motor vehicles, motor cycles owned by the Hospital and their value as at 30 June, 2022. Further, the register in some instances did not reflect the values, tag numbers among other details as required by the Public Sector Accounting Standards Board template. This was contrary to Regulations 136(1) of the Public Finance Management (County Governments) Regulations, 2015 that states that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws; and Regulation 136(2) which states that

the register of land and buildings shall record each parcel of land and each building and the terms on which it is held, with reference to the conveyance, address, area, dates of acquisition, disposal or major change in use, capital expenditure, lease hold terms, maintenance contracts and other pertinent management details.

In the circumstances, the effectiveness of the asset management controls at the Hospital could not be confirmed.

2. Lack of Risk Management Policy

During the year under review, Management did not put in place a risk management policy to guide its risk assessment and formulation of risk mitigation strategies. This was contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 that provides that the County Government entity shall develop risk management strategies, which include fraud prevention mechanism; and a system of risk management and internal control that builds robust business operations.

In the circumstances, it was not possible to confirm whether the internal controls built within the financial and operational systems were functioning as intended.

3. Lack of Internal Audit Function

Review of the Hospital's governance system revealed that the Facility did not have an Internal Audit Unit but relied on the services of the County Executive Internal Audit. However, there was no evidence of internal audit reports for the year ended 30 June, 2022. In addition, there was no internal audit committee in place. This was contrary to Regulation 167(1) of the Public Finance Management (County Governments) Regulations, 2015 that requires County Government entities to establish an audit committee in accordance with prescribed regulations.

In the circumstances, oversight and follow up of the audit recommendations 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 Board of Management

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

In preparing the financial statements, Management is responsible for assessing the Hospital's ability to continue to sustain its services, disclosing, as applicable, matters

related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Hospital or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not

reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

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

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



FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

28 June, 2024

Kibwezi Sub-County Hospital (Makueni County Government)
Annual Report and Financial Statements for the Period Ended 30th June, 2022

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

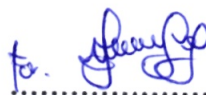
Description	Notes	2021/22	2020/21
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	6	15,700,000.00	15,400,000.00
In- kind contributions from the County Government	7	2,018,623.00	1,262,830.80
Grants from donors and development partners	8	-	-
Transfers from other Government entities	9	-	-
Public contributions and donations	10	-	-
		17,718,623.00	16,662,830.80
Revenue from exchange transactions			
Rendering of services- Medical Service Income	11	7,743,891.00	3,085,728.00
Revenue from rent of facilities	12	-	-
Finance /Interest Income	13	-	-
Other income (NHIF and Linda Mama)	14	25,243,717.00	5,766,358.00
		32,987,608.00	8,852,086.00
Total revenue		50,706,231.00	25,514,916.80
Expenses			
Medical/Clinical costs	15	16,636,630.00	10,512,755
Employee costs	16	10,605,546.00	9,616,225
Board of Management Expenses	17	300,000.00	150,000
Depreciation and amortization expense	18	53,333.00	49,950.00
Repairs and maintenance	19	3,280,560.00	1,742,975
Grants and subsidies	20	-	-
General expenses	21	5,158,787.00	4,601,099.80
In- kind contributions from the County Government	7	2,018,623.00	-
Total expenses		38,053,479.00	26,673,005.00
Other gains/(losses)			
Gain on disposal of non-Current assets	23	-	-

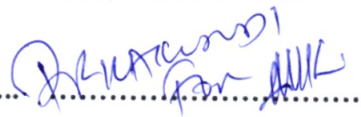
Kibwezi Sub-County Hospital (Makueni County Government)
Annual Report and Financial Statements for the Period Ended 30th June, 2022

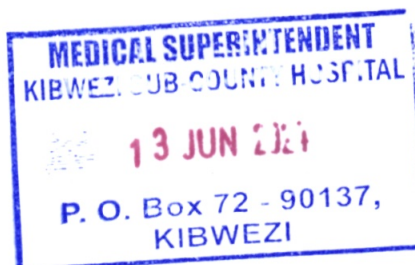
Unrealized gain on fair value of investments	24	-	-
Medical services contracts Gains/Losses	25	(2,135,812)	(1,517,855)
Impairment loss	26	-	-
Gain on foreign exchange transactions		-	-
Total other gains/(losses)		(2,135,812)	(1,517,855)
Net Surplus for the year		10,516,940	(2,675,943.20)
Attributable to:			
Surplus/(deficit) attributable to minority interest		-	-
Surplus attributable to owners of the controlling entity		-	-
		10,516,940	(2,675,943.20)

The Hospital's financial statements were approved by the Board on 13/06/24 and signed on its behalf by:


 PETER NTHENGA
 Chairman
 Board of Management


 WAMBUA SAVALI
 Head of Finance
 ICPAK No: 22689


 DR JAMES MBIU
 Medical Superintendent




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

Description	Notes	2021/22	2020/21
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	27	8,388,083.90	2,003,825.90
Receivables from exchange transactions	28	4,026,015.00	3,452,650.00
Receivables from non-exchange transactions	29	-	-
Inventories	30	2,592,838.00	2,933,656.00
Total Current Assets		15,006,937.00	8,390,131.90
Non-current assets			
Property, plant, and equipment	31	106,667.00	-
Intangible assets	32	-	-
Investment property	33	-	-
Total Non-current Assets		106,667.00	-
Total assets		15,113,604.00	8,635,530.90
Liabilities			
Current liabilities			
Trade and other payables	34	8,247,713.00	5,879,355.00
Refundable deposits from customers/Patients	35	-	-
Provisions	36	-	-
Finance lease obligation	37	-	-
Current portion of deferred income	38	-	-
Current portion of borrowings	39	-	-
Total Current Liabilities		8,247,714.00	5,879,355.00
Non-current liabilities			
Provisions	36	-	-
Non-Current Finance lease obligation	37	-	-
Non-Current portion of deferred income	38	-	-
Non - Current portion of borrowings	39	-	-
Service concession liability	40	-	-
Total Non-current liabilities		-	-
Total Liabilities		8,247,714.00	-


Kibwezi Sub-County Hospital (Makueni County Government)
Annual Report and Financial Statements for the Period Ended 30th June, 2022

Description	Notes	2021/22	2020/21
		Kshs	Kshs
Net assets		6,865,890.00	2,756,175.90
Revaluation reserve		-	-
Accumulated surplus/Deficit		12,520,766.00	(2,675,943.20)
Capital Fund		(5,654,876.00)	5,432,119.10
		-	-
Total Net Assets and Liabilities		6,865,890.00	2,756,175.90

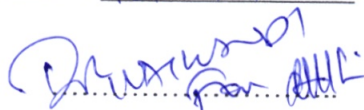
The Hospital's financial statements were approved by the Board on 13/06/24 and signed on its behalf by:



PETER NTHENGA
 Chairman
 Board of Management



WAMBUA SAVALI
 Head of Finance
 ICPAK No: 22689



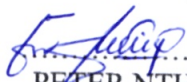
DR JAMES MBIU
 Medical Superintendent

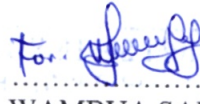



16. Statement of Changes in Net Asset for The Year Ended 30 June 2022

	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2020	-	-	-	-
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	2,003,826.00	2,756,176.00	4,760,002.00
Capital/Development grants	-	-	-	-
As at June 30, 2021	-	2,003,826.00	2,756,176.00	4,760,002.00
At July 1, 2021	-	2,003,826.00	2,756,176.00	4,760,002.00
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	10,516,940.00	(5,654,876)	4,862,064.00
Capital/Development grants	-	-	-	-
At June 30, 2022	-	12,520,766.00	(2,898,700)	9,622,066.00

The Hospital's financial statements were approved by the Board on 13/06/22 and signed on its behalf by:


 PETER NTHENGA
 Chairman
 Board of Management


 WAMBUA SAVALI
 Head of Finance
 ICPAK No:22689


 DR JAMES MBIU
 Medical Superintendent



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

Description		2021/22	2020/21
	Note	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government		15,700,000.00	15,400,000
Grants from donors and development partners		-	-
Transfers from other Government entities		-	-
Public contributions and donations		--	-
Rendering of services- Medical Service Income		7,743,891.00	3,085,728.00
Revenue from rent of facilities		-	-
Finance / interest income		-	-
Other receipts(NHIF and Linda mama)		19,081,890.00	5,766,358.0
Total Receipts		42,525,781.00	24,252,086.0
		-	-
Payments			
Medical/Clinical costs		16,636,630.00	10,512,755.0
Employee costs		10,605,546.00	9,616,725.0
Board of Management Expenses		300,000.00	150,000.00
Repairs and maintenance		3,280,560.00	1,742,975
Grants and subsidies		-	-
General expenses		5,158,787.00	3,338,269.0
Finance costs		-	-
Refunds paid out		-	-
Total Payments		35,981,523.00	25,360,724.0
Net cash flows from operating activities	41	6,544,258.00	(1,108,638.0)
Cash flows from investing activities			
Purchase of property, plant, equipment, & intangible assets		(160,000.00)	(150,000)
Proceeds from the sale of property, plant, and equipment		-	-
Acquisition of investments		-	-
Net cash flows used in investing activities		(160,000.00)	(150,000)
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Capital grants received		-	-
Net cash flows used in financing activities		(160,000.00)	(150,000.00)

Kibwezi Sub-County Hospital (Makueni County Government)
Annual Report and Financial Statements for the Period Ended 30th June, 2022

Net increase/(decrease) in cash and cash equivalents		6,384,258.00	(1,258,638.0)
Cash and cash equivalents at 1 July	27	2,003,826.00	3,262,463.90
Cash and cash equivalents at 30 June	27	8,388,084.00	2,003,825.90

The notes set out on pages' 26 to 51 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 13/06/24 and signed on its behalf by:

Peter Nthenga

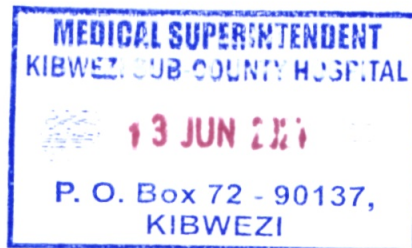
...
PETER NTHENGA
Chairman
Board of Management

Wambua Savali

...
WAMBUA SAVALI
Head of Finance
ICPAK No:22689

Dr James Mbiu

...
DR JAMES MBIU
Medical Superintendent



Kibwezi Sub-County Hospital (Makueni County Government)
Annual Report and Financial Statements for the Period Ended 30th June, 2022

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	A	B	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Transfers from the County Government	15,700,000.	-	15,700,000	15,700,000	-	100%
Grants from donors and development partners	-	-	-	-	-	%
Transfers from other Government entities	-	-	-	-	-	%
Public contributions and donations	-	-	-	-	-	%
Rendering of services- Medical Service Income	7,743,891.0	-	7,743,891.0	7,743,891.0	-	100%
Revenue from rent of facilities	--	-	-	-	-	0%
Finance / interest income	-	-	-	-	-	%
	19,081,890	-	19,081,890	19,081,890	-	100%
Other receipts (Linda Mama, NHIF,UHC)						
Total income	42,525,781.	0.00	42,525,781.	42,525,781.	-	100%
Expenses						
Medical/Clinical costs	16,685,421.	-	16,685,421	16,636,630	48,791	99.7%
Employee costs	10,608,400	-	10,608,400	10,605,546	2854	99.9%
Remuneration of directors	300,000	-	300,000	300,000	-	100%
Repairs and maintenance	3,284,211	-	3,284,211	3,280,560	3651	99.8%
Grants and subsidies		-	-	-	-	%
General expenses	5,163,400	-	5,163,400	5,158,787.0	4613	99.9%
Finance costs	-	-	-	-	-	%
Refunds	-	-	-	-	-	%
Surplus for the period	6,484,349.0	-	6,484,349.0	6,544,258.0	-	100%
Capital expenditure	160,000.00	-	160,000.00	160,000.00	-	100%

Reconciliation statement.

2,135,811.96-other loses
53,280.00-depreciation
4,355,166.04-surplus/deficit
4,355,166.04- as per the statement of financial performance

The notes set out on pages 26 to 40 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 13/06/22 and signed on its behalf by:

Kibwezi Sub-County Hospital (Makueni County Government)
Annual Report and Financial Statements for the Period Ended 30th June, 2022

Peter Nthenga

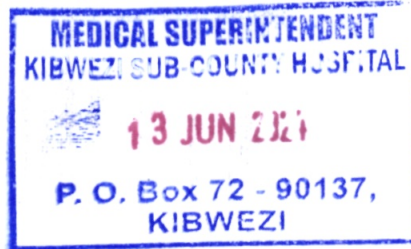
PETER NTHENGA
Chairman
Board of Management

Wambua Savali

WAMBUA SAVALI
Head of Finance
ICPAK No:22689

Dr James Mbiu

DR JAMES MBIU
Medical Superintendent



19. Notes to the Financial Statements

1. General Information

Kibwezi sub county hospital is established by and derives its authority and accountability from PMF Act. The hospital is wholly owned by the Government of Kenya and is domiciled in Kenya. The hospital's principal activity is to offer high quality and affordable health care services to its citizens.

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 hospital accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Kibwezi sub county hospital.

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

3. Adoption of New and Revised Standards

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

Notes to the Financial Statements (Continued)

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

Standard	Effective date and impact:
<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 Hospital's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Hospital'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 Hospital provides in its financial statements about social benefits. The</p>

	<p>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 Hospital;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Hospital’s financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement

	Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1 st January 2023.
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 cash flows of an Hospital.</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> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

ii. Early adoption of standards

The hospital did not early – adopt any new or amended standards in the year 2021/2022

4. Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

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

Notes to the Financial Statements (Continued)

Revenue from exchange transactions

Rendering of services

The hospital 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 hospital.

Interest income

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

Dividends

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

Rental income

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

Notes to the Financial Statements (Continued)

b. Budget information

The original budget for FY 2021/2022 was approved by Board on 13th July 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the hospital upon receiving the respective approvals in order to conclude the final budget approval. The hospital budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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

Notes to the Financial Statements (Continued)

c. Taxes

Sales tax/ Value Added Tax

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

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

d. Investment property

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

e. Property, plant and equipment

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

acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

f. Leases

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Hospital. 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 Hospital 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 Hospital 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 Hospital. 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 Hospital expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Hospital can demonstrate:

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

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

i. Financial instruments

Financial assets

Initial recognition and measurement

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

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

Loans and receivables

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

fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

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

Impairment of financial assets

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

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

Notes to the Financial Statements (Continued)

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

i) Inventories

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

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

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

After initial recognition, inventory is measured at the lower cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower cost and the current replacement

Notes to the Financial Statements (Continued)

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 Hospital.

j) Provisions

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

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

Contingent liabilities

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

Contingent assets

The Hospital 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 Hospital 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.

Changes in accounting policies and estimates

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

k) Employee benefits

Retirement benefit plans

The Hospital provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an hospital pays fixed contributions into a

Notes to the Financial Statements (Continued)

separate hospital (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.

k) 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.

l) 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.

m) Related parties

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

n) Service concession arrangements

The Hospital 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 Hospital 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

Notes to the Financial Statements (Continued)

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 Hospital also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

o) 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.

p) Comparative figures

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

q) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the hospital'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 Hospital based its assumptions and estimates on parameters available when the consolidated financial statements

Notes to the Financial Statements (Continued)

were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Hospital. 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 Hospital.
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- The nature of the processes in which the asset is deployed.
- Availability of funding to replace the asset.
- Changes in the market in relation to the asset.

Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

6. Transfers from The County Government

Name of the Entity sending the grant	Amount recognized to Statement of financial performance KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	Total 2020/21
			KShs	KShs	KShs
makueni County Government	15,700,000.00	-	-	15,700,000	15,400,000.00
Total	15,700,000.00	-	-	15,700,000	15,400,000.00

7. In Kind Contributions from The County Government

Description	2021/22	2020/21
	KShs	KShs
Salaries and wages	-	-
Pharmaceutical and Non-Pharmaceutical Supplies	-	-
Medical supplies-Drawings Rights (KEMSA)	-	-
Utility bills	2,018,623.00	1,262,830.80
Total grants in kind	2,018,623.00	1,262,830.80

8. Grants from Donors and Development Partners

Description	2021/22	2020/21
	KShs	KShs
Cancer Centre grant- DANIDA	-	-
World Bank grants	-	-
Paediatric ward grant- JICA	-	-
Research grants	-	-
Other grants	-	-
Total grants from development partners	-	-

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

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

9. Transfers from Other Government Entities

Description	2021/22	2020/21
	KShs	KShs
Transfer from National Government (Ministry of Health)	-	-
Transfer from a National Hospital	-	-
Transfer from an Institute	-	-
Total Transfers	-	-

10. Public Contributions and Donations

Description	2021/22	2020/21
	KShs	KShs
Public donations	-	-
Donations from local leadership	-	-
Donations from religious institutions	-	-
Donations from other international organisations and individuals	-	-
Other donations	-	-
Donations in kind-amortised	-	-
Total donations and sponsorships	-	-

Notes to the Financial Statements (Continued)

11. (a) Reconciliations of amortised grants

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

11. Rendering of Services-Medical Service Income

Description	2021/22	2020/21
	KShs	KShs
Pharmaceuticals	1,963,912.56	790,670.46
Non-Pharmaceuticals	-	-
Laboratory	1,423,878.00	489,830.00
Radiology	1,029,519.00	495,700.00
Orthopedic and Trauma Technology	380,690.00	122,850.00
Theatre	326,000.00	148,522.00
Accident and Emergency Service	-	-
Anesthesia Service	-	-
Ear Nose and Throat service	-	-
Nutrition service	8,900.00	5,100.00
Cancer centre service	-	-
Dental services	-	-
Reproductive health	-	-
Paediatrics services	-	-
Farewell home services	-	-
Other medical services income	2,610,991.44	1,033,055.54
Total revenue from the rendering of services	7,743,891.00	3,085,728.00

Notes to the Financial Statements (Continued)

12.Revenue from Rent of Facilities

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

13.Finance /Interest Income

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

14.Other Income

Description	2021/22	2020/21
	KShs	KShs
Insurance recoveries-NHIF	18,503,390.00	4,090,358.00
Insurance recoveries- UHC	578,500.00	1,676,000.00
Income from sale of tender	2,135,812.00	-
Revenue waived or exempted during the year	4,026,015.00	-
Receivables from exchange transactions	-	-
Total other income	25,243,717.00	5,766,358.00

Notes to the Financial Statements (Continued)

15. Medical/ Clinical Costs

Description	2021/22	2020/21
	KShs	KShs
Dental costs/ materials		
Laboratory chemicals and reagents	1,835,745.00	1,370,000.00
Public health activities	-	-
Food and Ration	4,119,155.00	3,099,995.00
Uniform, clothing, and linen	-	-
Dressing and Non-Pharmaceuticals	2678950.00	1,200,000.00
Pharmaceutical supplies	1,549,910.00	899,965.00
Health information stationery	-	200,000.00
Reproductive health materials	-	-
Sanitary and cleansing Materials	1,402,700.00	1,003,995.00
Purchase of Medical gases	353,560.00	-
X-Ray/Radiology supplies	1,599,760.00	610,100.00
Other medical related clinical costs (fuel and other fuel)	3,096,850.00	2,128,700.00
Total medical/ clinical costs	16,636,630.00	10,512,755.00

16. Employee Costs

Description	2021/22	2020/21
	KShs	KShs
Salaries, wages, and allowances	8,922,746.00	8,812,025.00
Contributions to pension schemes	202,800.00	158,400.00
Service gratuity	-	-
Performance and other bonuses	-	-
Staff medical expenses and Insurance cover	-	-
Group personal accident insurance and WIBA	-	-
Social contribution	-	-
Other employee costs -locum	1,4800,000.00	645,800.00
Employee costs	10,605,546.00	9,616,725.00

Notes to the Financial Statements (Continued)

17. Board of Management Expenses

Description	2021/22	2020/21
	KShs	KShs
Chairman's Honoraria	-	-
Sitting allowance	152,000.00	120,000.00
Mileage	-	-
Insurance expenses	-	-
Induction and training	-	-
Travel and accommodation allowance	148,000.00	30,000.00
Airtime allowances	-	-
Total	300,000.00	150,000.00

18. Depreciation and Amortization Expense

Description	2021/22	2020/21
	KShs	KShs
Property, plant and equipment	53,333.00	49,950.00
Intangible assets	-	-
Investment property carried at cost	-	-
Total depreciation and amortization	53,333.00	49,950.00

19. Repairs and Maintenance

Description	2021/22	2020/21
	KShs	KShs
Property- Buildings	1,758,560.00	1,272,275.00
Medical equipment	510,000.00	370,700.00
Office equipment	-	-
Furniture and fittings	180,000.00	-
Computers and accessories	792,000.00	100,000.00
Motor vehicle expenses	40,000.00	-
Maintenance of civil works	-	-
Total repairs and maintenance	3,280,560.00	1,742,975.00

Notes to the Financial Statements (Continued)

20.Grants and Subsidies

Description	2021/22	2020/21
	KShs	KShs
Community development and social work	-	-
Education initiatives and programs	-	-
Free/ subsidised medical camp	-	-
Disability programs	-	-
Free cancer screening	-	-
Other grants and subsidies		
Total grants and subsidies	-	-

21.General Expenses

Description	2021/22	2020/21
	KShs	KShs
Advertising and publicity expenses	35,000.00	10,500.00
Catering expenses	1,039,663.00	299,930.00
Waste management expenses	-	-
Insecticides and rodenticides	-	-
Audit fees	-	-
Bank charges	143,143.00	32,496.00
Conferences and delegations	-	-
Consultancy fees	-	-
Contracted services	789,000.00	576,000.00
Electricity expenses		1,362,830.80
Insurance	-	-
Research and development expenses	-	-
Travel and accommodation allowance	306,300.00	130,000.00
Legal expenses	-	-
Licenses and permits	-	-
Courier and postal services	19,090.00	-
Printing and stationery	1,644,635.00	1,028,400.00
Hire charges	-	-
Rent expenses	-	-
Water and sewerage costs	579,932.00	496,220.00

Description	2021/22	2020/21
	KShs	KShs
Skills development levies	-	-
Telephone and mobile phone services	359,630.00	313,915.00
Internet expenses	219,994.00	324,808.00
Staff training and development	-	-
Subscriptions to professional bodies	22,400.00	-
Subscriptions to newspapers periodical, magazines, and gazette notices	-	-
Library books/Materials	-	-
Parking charges	-	-
Transfer to county revenue	-	26,000.00
Total General Expenses	5,158,787.00	4,601,099.80

22. Finance Costs

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

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

Description	2021/22	2020/21
	KShs	KShs
Property, plant, and equipment	-	-
Intangible assets	-	-
Other assets not capitalised	-	-
Total gain on sale of assets	-	-

24. Unrealized Gain On Fair Value Investments

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

Staff training and development	-	-
--------------------------------	---	---

22. Finance Costs

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

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

Description	2021/22	2020/21
	KShs	KShs
Property, plant, and equipment	-	-
Intangible assets	-	-
Other assets not capitalised	-	-
Total gain on sale of assets	-	-

24. Unrealized Gain On Fair Value Investments

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

Notes to the Financial Statements (Continued)

25. Medical Services Contracts Gains /Losses

Description	2021/22	2020/21
	KShs	KShs
Comprehensive care contracts with NHIF	-	-
Non- Comprehensive contracts care with NHIF	-	-
Linda Mama Program	-	-
Waivers and Exemptions	2,135,812.00	1,517,855.00
Total Gain/Loss	2,135,812.00	1,517,855.00

26. Impairment Loss

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

27. Cash and Cash Equivalents

Description	2021/22	2020/21
	KShs	KShs
Current accounts	8,388,084	2,003,825.90
On - call deposits	-	-
Fixed deposits accounts	-	-
Cash in hand	-	-
Others- Mobile money	-	-
Total cash and cash equivalents	8,388,084	2,003,825.90

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

Description		2021/22	2020/21
Financial institution	Account number	KShs	KShs
a) Current account			
Kenya Commercial bank	1147264864	8,375,457.40	1,998,639.40
Kenya Commercial bank	1147265178	12,626.50	5,186.50
Sub- total		-	-
b) On - call deposits			
Kenya Commercial bank		-	--
			-
Equity Bank – etc.		--	-
Sub- total		-	-
c) Fixed deposits account			
Bank Name		-	-
		-	-
Sub- total		-	-
d) Others			
cash in hand		-	-
Mobile money- M-pesa, Airtel money		-	-
		-	-
Sub- total			-
Grand total		8,388,084.00	2,003,825.90

28. Receivables from Exchange Transactions

Description	2021/22	2020/21
	KShs	KShs
Medical services receivables	4,026,015.00	3,452,650.00
Rent receivables	-	-
Other exchange debtors	-	-
Less: impairment allowance	-	-
Total receivables	4,026,015.00	3,452,650.00

Notes to the Financial Statements (Continued)

29. Receivables from Non-Exchange Transactions

Description	2021/22	2020/21
	KShs	KShs
Transfers from the County Government	-	-
Undisbursed donor funds	-	-
Other debtors (non-exchange transactions)	-	-
Less: impairment allowance	-	-
Total	-	-

30. Inventories

Description	2021/22	2020/21
	KShs	KShs
Pharmaceutical supplies	498,130.00	611,930.00
Maintenance supplies	173,000.00	260,000.00
Food supplies	1,344,508.00	1,342,986.00
Linen and clothing supplies	98,000.00	120,000.00
Cleaning materials supplies		
General supplies	479,200.00	598,740.00
Less: provision for impairment of stocks		
Total	2,592,838.00	2,933,656.00

Kibwezi Sub-County Hospital (Makueni County Government)
Annual Report and Financial Statements for the Period Ended 30th June, 2022
Notes to the Financial Statements (Continued)

31. Property, Plant and Equipment

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
	Shs		Shs	Shs	Shs	Shs	Shs	Shs
Cost								
At 1 July 2020	-	-	-	-			-	
Additions	-	-	-	-		-	-	
Disposals	-	-	-	-	-	-	-	-
Transfers/adjustments					-	-	-	-
At 30th June 2021	-	-	-	-			-	
At 1 st July 2021	-	-	-	-			-	
Additions	-	-	-	-	160,000.00	-	-	160,000.0
Disposals	-	-	-	-	-	-	-	-
Transfer/adjustments					-	-	-	-
At 30th June 2022	-	-	-	-	160,000.00		-	160,000.00
Depreciation and impairment								
At 1 July 2020	-	-	-	-			-	
Depreciation for the year	-	-	-	-			-	
Disposals								

Impairment	-	-	-	-	-	-	-	-
At 30 June 2021	-	-	-	-			-	
At July 2021	-	-	-	-			-	
Depreciation	-	-	-	-	53,333.00		-	53,333.00
Disposals	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
Transfer/adjustment								-
At 30th June 2022					106,667.00		-	106,667.00

Kibwezi Sub-County Hospital (Makueni County Government)
Annual Report and Financial Statements for the Period Ended 30th June, 2022

Net book values								
At 30 th June 2021	-	-	-	-			-	
At 30 th June 2022	-	-	-	-	106,667.00		-	106,667.00

Notes to the Financial Statements (Continued)

32. Intangible Assets-Software

Description	2021/22	2020/21
	KShs	KShs
Cost		
At beginning of the year	-	-
Additions	-	-
Additions-Internal development	-	-
Disposal	-	-
At end of the year	-	-
Amortization and impairment		
At beginning of the year	-	-
Amortization for the period	-	-
Impairment loss	-	-
At end of the year	-	-
NBV	-	-

33. Investment Property

Kibwezi Sub-County Hospital (Makueni County Government)
Annual Report and Financial Statements for the Period Ended 30th June, 2022

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

34. Trade and Other Payables

Description	2021/22	2020/21
	KShs	KShs
Trade payables	8,247,714.00	5,879,355
Employee dues	-	-
Third-party payments (unremitted payroll deductions)	-	-
Audit fee	-	-
Doctors' fee	-	-
Total trade and other payables	8,247,714.00	5,879,355

Notes to the Financial Statements (Continued)

35. Refundable Deposits from Customers/Patients

Description	2021/22	2020/21
	KShs	KShs
Medical fees paid in advance	-	-
Credit facility deposit	-	-
Rent deposits	-	-
Others	-	-
Total deposits	-	-

36. Provisions

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

Kibwezi Sub-County Hospital (Makueni County Government)
Annual Report and Financial Statements for the Period Ended 30th June, 2022

			-	-
Current Provisions	-	-	-	-
Non-Current Provisions	-	-	-	-
Total Provisions	-	-	-	-

37. Finance Lease Obligation

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

Notes to the Financial Statements (Continued)

38. Deferred Income

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

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

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

39. Borrowings

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

Notes to the Financial Statements (Continued)

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

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

40. Service Concession Arrangements

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

41. Cash Generated from Operations

	2021/22	2020/21
	KShs	KShs
Surplus for the year before tax		
Surplus for the year before tax	10,516,940.00	(2,675,943.20)
Adjusted for		
Depreciation	53,333.00	49,950.00
Non-cash grants received	-	-
Impairment	-	-
Gains and losses on disposal of assets	-	-
Contribution to provisions	-	-
Contribution to impairment allowance	-	-
Working Capital adjustments		
Increase in inventory		-
Increase in receivables	(4,026,015.00)	-
Increase in deferred income		-
Increase in payables		1,517,355.20
Increase in payments received in advance	-	-
Net cash flow from operating activities	6,544,258.00	(1,108,638)

42. Financial Risk Management

The hospital's activities expose it to a variety of financial risks including credit and liquidity risks. 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 hospital's financial risk management objectives and policies are detailed below:

(i) Credit risk

The hospital 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 hospital's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

*Kibwezi Sub-County Hospital (Makueni County Government)
Annual Report and Financial Statements for the Period Ended 30th June, 2022*

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2020				
Receivables from exchange transactions	3,452,650	3,452,650	-	-
Receivables from –non-exchange transactions	-	-	-	-
Bank balances	2,003,825.90	2,003,825.90	-	-
Total	5,456,475.90	5,456,475.90		
At 30 June 2022				
Receivables from exchange transactions	4,026,015	4,026,015	-	-
Receivables from –non-exchange transactions	-	-	-	-
Bank balances	8,388,083.90	8,388,083.90	-	-
Total	12,414,098.90	12,414,098.90	-	-

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 hospital’s short, medium and long-term funding and liquidity management requirements. The hospital 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.

Kibwezi Sub-County Hospital (Makueni County Government)
Annual Report and Financial Statements for the Period Ended 30th June, 2022

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2021				
Trade payables	-	5,879,355	-	5,879,355
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total		5,879,355		5,879,355
At 30 June 2022				
Trade payables	-	8,247,713.96	-	5,879,355
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	14,127,068	-	14,127,068

Market risk

The hospital does not have an internal audit unit and therefore rely on County 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 hospital'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.

Notes to the Financial Statements (Continued)

a) Foreign currency risk

The hospital does not face any transactional currency exposures. It purchases goods and services in the local currency.

b) Interest rate risk

Interest rate risk is the risk that the hospital'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.

Iv) Capital Risk Management

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

	2021/22	2020/21
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings		(2675943.20)
Capital reserve		5,432,119.10
Total funds		2,756,175.80
	-	-
Total borrowings	-	-
Less: cash and bank balances	8,388,083.90	2,003,825.90
Net debt/ (<i>excess cash and cash equivalents</i>)	8,388,083.90	2,003,825.90
Gearing	0%	0%

43. Related Party Balances

Nature of related party relationships

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

Government of Kenya

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

Kibwezi Sub-County Hospital (Makueni County Government)
Annual Report and Financial Statements for the Period Ended 30th June, 2022

Notes to the Financial Statements (Continued)

- i) The National Government;
- ii) The Ministry of Health;
- iii) Government of Makueni County;
- iv) The County department of Health services
- v) Hospital Management Committee;
- vi) Hospital Executive Expenditure Committee
- vii) Hospital Management Team

Description	2021/22	2020/21
	Kshs	Kshs
Transactions with related parties		
a) Services offered to related parties		
Services to related parties	-	-
Sales of services to related parties	-	-
Total	-	-
b) Grants from the Government	-	-
Grants from County Government	15,700,000	15,400,000
Grants from the National Government Entities	-	-
Donations in kind		
Total	15,700,000	15,400,000
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees	-	-
Payments for goods and services	-	-
Total		
d) Key management compensation		
Board committee allowance	300,000	150,000
Compensation to the medical Sup	-	-
Compensation to key management	-	-
	300,000	150,000
Total	16,000,000	15,550,000

44. Events After the Reporting Period

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

45. Ultimate and Holding Hospital

The entity is a Semi- Autonomous Government Agency under the department of Health Services. Its ultimate parent is the Government of Makueni.

46. Currency

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

