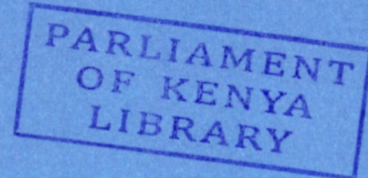


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability



REPORT

OF

THE AUDITOR-GENERAL

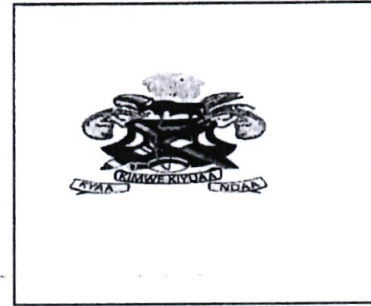
ON

NDITHINI LEVEL 4 HOSPITAL

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

COUNTY GOVERNMENT OF MACHAKOS

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



NDITHINI Level 4 HOSPITAL
(Machakos County Government)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2023

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

Angela
M. Lecker
18/09/24
PAPERS LAID

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1. Acronyms & Glossary of Terms

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

2. Key Entity Information and Management

(a) Background information

Ndithini Level 4 Hospital is a level 4 hospital established under gazette notice number 7267 of the County Government Act no 17 of 2012 and is domiciled in Machakos County under the Department of Health and Emergency Services. The hospital is governed by a Management team appointed by the department.

(b) Principal Activities

The principal activity/mission/ mandate of the hospital is to provide quality health care services to the people of Ndithini and Masinga Sub-County at large by preventing, controlling and eradicating diseases. Further the facility is tasked to rehabilitate and promote healthy living by ensuring quick accessibility of efficient, equitable, affordable and sustainable health services.

The vision of the entity is to provide quality, efficient and affordable health care services that will improve future health benefits to all people

(c) Key Management

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

- County department of health
- Accounting Officer/ Medical Superintendent
- Health Management Team

(d) Fiduciary Management

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

No.	Designation	Name
1.	Medical Superintendent	Brian Kavele
2.	Head of finance	Brian Munguti
3.	Head of supply chain	James Munyasya
4.		-
5.		

(e) Fiduciary Oversight Arrangements

Clinical Research and Standards Committee.
 County Treasury
 County Assembly
 Parliamentary committees

Key Entity Information and Management (continued)

(f) Entity Headquarters

Ndithini Level 4 Hospital
P.O. Box 5 –Ndithini
MACHAKOS , KENYA

(g) Entity Contacts

Telephone: (+254) 726280671
E-mail: ndithini4@gmail.com

(h) Entity Bankers

KCB-Matuu Branch

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

(k) County Attorney

P.O. Box. 1996-90100
Machakos , Kenya

3. The Board of Management

No board of management during the financial year 2022-2023

4. Key Management Team

1.	Brian Kavele	Medical Superintendent Qualifications Diploma in clinical Medicine
2.	Brian Munguti	Accountant MBA B/COM CPA Part 3
3.	Peris Njoroge	Head of laboratory services Diploma in MLT
4.	Magdalene Munyao	Nurse Manager Diploma in Nursing
5.	James Munyasya	Head of Supply Chain Diploma in Supply chain management

5. Chairman's Statement

There is no chairman's statement because the board of directors is yet to be formed

.....
Name

Chairman to the Board

6. Report of The Medical Superintendent

Its my pleasure to present Ndithini level 4 financial statements for the year ended 30th June 2023. which are in line with the public finance management act (PFM) 2012. The act requires final financial statements to be prepared, publicized and submitted to the County Assembly, Office of the auditor general, National Treasury, the controller of budget and commission for revenue allocation within a period of 3 months after the end of each financial year.

Attached are the hospitals statements which have been prepared in line with the requirements of the PFM act 2012 which present a true fair and fair value of the state of the affairs of the County Government of Machakos for the year ended 30th June 2023.

The statements highlights both qualitative and quantitative user information about the performance of the hospital based on revenue received and collected from the county and NHIF of facility improvement funds versus numerous expenses incurred inline to promotion of quality health care services.

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


Name
Secretary to the Board

7. Statement of Performance Against Predetermined Objectives

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer when preparing financial statements of each County Government entity Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity’s performance against predetermined objectives.

Ndithini Level 4 Hospital has three (3) strategic objectives within the current Strategic Plan for the FY2022- 23. These objectives have been identified through a participatory process that reviewed the health priorities of the Governor’s Manifesto, the National Government’s “Big Four” and more specifically on Universal Health Care, NIUPLAN, SDGs and the MTP III. The strategic objectives are a synthesised product of the afore-mentioned planning frameworks that amalgamate the thematic focus and health sector aspirations.

The strategic objectives are as follows;

- Free maternal health services (Linda Mama)
- Affordable health care services
- Strategic partnership with Donors for adequate funding

Ndithini Level 4 Hospital develops its annual work plans based on the above three objectives.

Assessment of the management’s performance against its annual work plan is done on a quarterly basis.

The hospital achieved its performance targets set for the FY 2022-2023 period for its own strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Performance
Maternal health care services	Provide free maternal health care services	Number of maternal deliveries	-Surgeries, pre-natal and post natal services -Normal deliveries	Managed to achieve 99% free maternal health care services
Affordable and timely	Ensure timely	Number of in-	-Treatment of in-	Managed to

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

health care services	provision of health care services to all patients	patients and out-patients served	patient and out-patient	improve timely health care provision from 65% to 75%
Strategic partnership	Conduct sensitization and research in order to attract donors	Number of donors offering financial support	Collaboration with donors	Managed to collaborate with DANIDA and red cross

8. Corporate Governance Statement

There is no board for the facility during the financial year 2022-2023

9. Management Discussion and Analysis

Ndithini level 4 hospital is a level 4 facility located next to Ndithini market. The main operational performance of Ndithini Level 4 Hospital involves provision of health care services. However, while offering the services, the hospital collects some revenue from patients either in Mpesa-paybill or NHIF. The funds are transferred to County Revenue Fund (CRF) as per Public Financial Management (PFM) regulations 2015. Currently, the operations of the facility are managed by transfers from the County Government. The revenues are used to improve the facility and provide both curative and preventive care services to Ndithini residents.

During the current financial year 2022-2023 the County Government introduced the payment for the medical services offered in the facility whereby patients pay ksh 100 for patient card through a pay bill number 161660 which is a County government pay bill.

At the moment the County is in the process of passing a law through the county assembly whereby the monies collected ,85% go back to the facility to facilitate its daily operations while 15% go to the County Revenue fund account in the Central bank

Some of the key projects and investment decisions that the facility is planning/implementing are;

- Renovating and painting the whole hospital
- Completion of stalled buildings in the facility
- Planting trees around the hospital and open spaces
- Renovation and maintenance of the current buildings
- Construction of incinerator
- Automation of the hospital services
- construction of offices/store/more wards both male and female wards
- drilling a borehole to address the water shortages experienced from time to time
- installation of solar powered system to reduce the huge power bills
- Construction of a morgue

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

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

The main challenges faced during the period include

- ❖ delay in disbursement of funds from the County Treasury

currently the entity is financially stable and there are no serious governance issues which should be addressed. All staff statutory deductions such as PAYE, NSSF, and NHIF are remitted by the County Government.

.....
Name: **Brian Kavele**

Medical superintendent



10. Environmental and Sustainability Reporting

Ndithini level 4 hospital exists to transform lives. That's what guides us to deliver our strategy, putting the client/citizen first, delivering health services and improving operational excellence. Below is an outline of the organizations policies and activities that promote sustainability

i) Sustainability strategy and profile

The top management through the medical superintendent or the accounting officer has collaborated with Machakos level 5 and the top management to ensure quality medical services are offered to our patients and as per the international standards set by world health organization(WHO)

ii) Environmental performance

The hospital is in the process of developing world class environmental policy that will promote E-Cycling of wastes to avoid health hazards that can negatively affect our clients and staff. However financial challenges have negatively impacted on such ideas.

iii) Employee welfare

The hiring process of the medical practioners and other staff is conducted by the County Public Service board in collaboration with the mother department of Health and Emergency services. However, the posting and allocation of of roles is done by based on several elements among them gender, parity. Lastly the welfare of the staff is highly valued based on the policy safety and compliance of the occupational safety and health act of 2007(OSHA)

iv) Market place practices-

a) Responsible competition practice.

The facility through the department of medical services ensures a conducive and competitive environment for its suppliers and mechanisms have been put in place to ensure fairness in awarding of tenders and tenders to the facility

b) Responsible Supply chain and supplier relations

Through the department of health all procurement laws are practised and all the tenders are open and competitive.Mechanisms have also been put in place to ensure timely payments to suppliers to avoid pending bills

c) Responsible marketing and advertisement

Ethical practises such as transparency, privacy, social responsibility etc are practised in the facility during its day to day operations

d) Product stewardship

Mechanisms have been put in place to safeguard consumer rights and interests through risk management practises, respect for confidentiality, integrity and informed consent in facility's daily operations

v) Corporate Social Responsibility / Community Engagements

The facility conducted numerous CSR activities during the year on free cancer and tuberculosis screening and treatments.

11. Report of The Board of Management

There was no board of management during the financial year 2022-2023

Principal activities

The principal activity/mission/ mandate of the hospital is to provide quality health care services to the people of Ndithini and Masinga Sub-County at large by preventing, controlling and eradicating diseases. Further the facility is tasked to rehabilitate and promote healthy living by ensuring quick accessibility of efficient, equitable, affordable and sustainable health services

Results

The results of the entity for the year ended June 30 2023 are set out on pages 1 to 8

Board of Management

There was no board of management during the financial year 2022-2023

Auditors

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

By Order of the Management


Name: **Brian Kavele**
Medical Superintendent

12. Statement of Board of Management’s Responsibilities

Section 164 of the Public Finance Management Act, 2012 (County Government act no 17 of 2012) requires the Management to prepare financial statements in respect of Ndithini level 4 hospital which give a true and fair view of the state of affairs of the hospital at the end of the financial year/period and the operating results of the hospital for that year/period. The Management is also required to ensure that the hospital keeps proper accounting records which disclose with reasonable accuracy the financial position of the hospital. The management is also responsible for safeguarding the assets of the hospital.

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

The Management accepts responsibility for the hospitals financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and County governments act number 17 of 2012. The management of the opinion that the hospitals financial statements give a true and fair view of the state of facility’s transactions during the financial year ended June 30, 2023, and of the financial position as at that date. The management further confirm the completeness of the accounting records maintained for the facility which have been relied upon in the preparation of the hospitals financial statements as well as the adequacy of the systems of internal financial control.

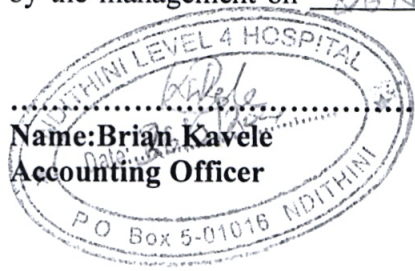
In preparing the financial statements, the management has assessed the Fund’s ability to continue as a going concern

Nothing has come to the attention of the management to indicate that the 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 management on 26/10/2020 and signed on its behalf by:

.....
Name:
Chairperson
Board of Management

.....
Name: Brian Kavele
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 NDITHINI LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2023 – COUNTY GOVERNMENT OF MACHAKOS

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

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

financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Ndithini Level 4 Hospital – County Government of Machakos as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do comply with the Public Finance Management Act, 2012, the Health Act, 2017 and the Machakos County Health Services Act, 2021.

Basis for Qualified Opinion

1. Inaccuracies in the Statement of Financial Position

The statement of financial position reflects total net assets of Kshs.2,266. However, the statement of changes in net assets reflects a balance of Kshs.4,721 resulting in an unexplained variance of Kshs.2,455.

In the circumstances, the accuracy and completeness of the statement of financial position could not be confirmed.

2. Non-Disclosure of Property, Plant and Equipment

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

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

3. Undisclosed Inventories Balance

The statement of financial position reflects Nil balance in respect to inventories as disclosed in Note 30 to the financial statements. However, the Management did not undertake end year stock take of inventories to confirm existence and condition.

In the circumstances, the accuracy and completeness of inventories balance could not be confirmed.

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

The statement of financial performance reflects employee costs of Kshs.134,200 for casuals and contractual staff as disclosed in Note 16 to the financial statements. However, the Hospital also received services from medical staff employed and paid by the County Government. 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.134,200 could not be confirmed.

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Deficiencies in Implementation of Universal Health Coverage

Review of Hospital records and interviews on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit in April, 2024 revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits by ninety-seven (97) or 96% of the authorized establishment.

Staff Requirements	Level 4 Standard	Number in Hospital	Variance	Percentage %
Medical Officers	16	0	16	100
Anesthesiologists	2	0	2	100
General Surgeons	2	0	2	100
Gynecologists	2	0	2	100
Pediatricians	2	0	2	100
Radiologists	2	0	2	100
Registered Community Health Nurses	75	4	71	95
Total	101	4	97	96

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

Equipment & Machines	Level 4 Hospital Standard	Actuals in the Hospital	Variance	Percentage %
Bed Capacity	150	18	132	88
Incubators (New born)	5	0	5	100
Cots	5	0	5	100
Resuscitative in Theatre	1	0	1	100
Resuscitative in Labour Ward	2	0	2	100
Functional ICU Beds	6	0	6	100
HDU Beds	6	0	6	100
Renal Unit with Dialysis Machines	5	0	5	100
Functional Operating Theatres Maternity and General	2	0	2	100
Ambulances		1		

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

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

2. Failure to Prepare Quarterly Revenue Reports

The statement of financial performance reflects Nil amount in relation to the rendering of services -medical income as disclosed in Note 11 to the financial statements. However, the Hospital did not provide evidence to show that the reports were prepared and submitted the same to the County Treasury with a copy to the Auditor-General. This was contrary to Regulation 64(1) of the Public Finance Management (County Governments)

Regulations, 2015 which requires the Accounting Officer or receiver of revenue or collector of revenue to prepare a quarterly report not later than the 15th day after the end of the quarter.

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

3. Lack of Fixed Asset Register

The statement of financial position reflects Nil balance in respect to property, plant and equipment as disclosed in Note 31 to the financial statements. However, it was also noted that the Hospital does not maintain fixed asset register to control its assets. This was contrary to Regulation 136(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws.

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

4. Lack of Board of Management

Review of the report of Board of Management at page v of the financial statements revealed that the Hospital did not have a Board of Management. This was contrary to Section 11 of the Machakos County Health Services Act, 2021, which requires every hospital to have a Hospital Management Board.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Failure to Establish Internal Audit Function

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

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

2. Lack of Risk Management Policy

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

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

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal 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

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

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

Revenue from non-exchange transactions			
Transfers from the County Government	6	1,080,000	1,000,000
In- kind contributions from the County Government	7		
Grants from donors and development partners	8		
Transfers from other Government entities	9		
Public contributions and donations	10		
Revenue from exchange transactions		1,080,000	1,000,000
Rendering of services- Medical Service Income	11		
Revenue from rent of facilities	12		
Finance /Interest Income	13		
Miscellaneous Income(Balance b/f	14	2455	85,866
Revenue from exchange transactions			
Total revenue		1,082,455	1,085,866
Expenses			
Medical/Clinical costs	15	250,639	259,500
Employee costs	16	134,200	175,000
Board of Management Expenses	17		
Depreciation and amortization expense	18		
Repairs and maintenance	19	115,000	205,000
Grants and subsidies	20		
General expenses	21	580,350	443,911
Finance costs	22		
Total expenses		1,080,189	1,083,411
Other gains/(losses)			
Gain/Loss on disposal of non-Current assets	23		

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

Unrealized gain on fair value of investments	24		
Medical services contracts Gains/Losses	25		
Impairment loss	26		
Gain on foreign exchange transactions			
Total other gains/(losses)		-	-
Net Surplus / (Deficit) for the year		2266	2455

The notes set out on pages 25 to 52 form an integral part of the Annual Financial Statements.

The Hospital's financial statements were approved by the Management on 26/06/2023 and signed on its behalf by:

.....
Chairman

Board of Management

[Signature]
Brian Munguti
Head of Finance
ICPAK No:

[Signature]
Brian Kavele
Medical Superintendent



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

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

Assets			
Current assets			
Cash and cash equivalents	27	2266	2455
Receivables from exchange transactions	28		
Receivables from non-exchange transactions	29		
Inventories	30		
Total Current Assets		2266	2466
Non-current assets			
Property, plant, and equipment	31		
Intangible assets	32		
Investment property	33		
Total Non-current Assets			
Total assets		2266	2466
Liabilities			
Current liabilities			
Trade and other payables	34		
Refundable deposits from customers/Patients	35		
Provisions	36		
Finance lease obligation	37		
Current portion of deferred income	38		
Current portion of borrowings	39		
Social Benefits	41		
Total Current Liabilities		-	-
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		
Social Benefits	41		


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

Description	Note	FY2022-2023	FY 2021-2022
		Kshs	Kshs
Total Non-current liabilities		-	-
Total Liabilities		-	-
Net assets			
Revaluation reserve			
Accumulated surplus/Deficit		2266	2455
Capital Fund			
Total Net Assets and Liabilities		2266	2455

The notes set out on pages 26 to 52 form an integral part of the Annual Financial Statements

The Hospital's financial statements were approved by the Board on 26/06/2024 and signed on its behalf by:

.....
 Chairman
 Board of Management


 Brian Munguti
 Head of Finance
 ICPAK No:



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

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

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2021				
Revaluation gain				
Surplus/(deficit) for the year	2455	-	-	2455
Capital/Development grants				
As at June 30, 2022	2455			2455
At July 1, 2022	2455			2455
Revaluation gain				
Surplus/(deficit) for the year	2266	-	-	2266
Capital/Development grants				
At June 30, 2023	4721			4721

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

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

Statement of Cash Flows for The Year Ended 30 June 2023			
Cash flows from operating activities			
Receipts			
Transfers from the County Government		1,080,000	1,000,000
Grants from donors and development partners			
Transfers from other Government entities			
Public contributions and donations			
Rendering of services- Medical Service Income			
Revenue from rent of facilities			
Finance / interest income			
Miscellaneous receipts balance b/f		2455	85,866
Total Receipts		1,082,455	1,085,866
Payments			
Medical/Clinical costs		250,000	259,500
Employee costs		134,200	175,000
Board of Management Expenses			
Repairs and maintenance		115,000	205,000
Grants and subsidies			
General expenses		580,360	443,911
Finance costs			
Refunds paid out			
Total Payments		1,080,469	1,083,411
Net cash flows from operating activities	42	2266	2455
Cash flows from investing activities			
Purchase of property, plant, equipment & intangible assets			
Proceeds from the sale of property, plant, and equipment			
Acquisition of investments			
Net cash flows used in investing activities			
Cash flows from financing activities			
Proceeds from borrowings			
Repayment of borrowings			
Capital grants received			

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

Net cash flows used in financing activities			
Net increase/(decrease) in cash and cash equivalents		2266	2455
Cash and cash equivalents as at 1 July 2022	27	2455	85,866
Cash and cash equivalents as at 30 June 2023	27	2266	2455

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

	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Transfers from the County Government	1080000	0	1080000	1080000	0	100
Grants from donors and development partners						
Transfers from other Government entities						
Public contributions and donations						
Rendering of services- Medical Service Income						
Revenue from rent of facilities						
Finance / interest income						
Miscellaneous receipts balance b/f	2,455.00	0	2455	2455	0	100
Total income	1,082,455.00	0	1,082,455.00	1,082,455.00	0	100
Expenses						
Medical/Clinical costs	250639		250,639	250,639		100
Employee costs	134200	0	134200	134200	0	100
Remuneration of directors					0	
Repairs and maintenance	115000		115000	115000		100
Grants and subsidies	0				0	
General expenses	580350		580350	580350		100
Finance costs					0	
Refunds						
Total expenditures	1,080,189		1,080,189	1,080,189		100

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

Surplus for the period	2266		2266	2266		100
Capital expenditure						

Budget notes

1. there was no changes in the budget

:

19. Notes to the Financial Statements

1. General Information

The Hospital is established by the county government act number 17 of 2012 and derives its authority and accountability from health act number 31 of 2017. The entity is wholly owned by Machakos County Government and is domiciled in Machakos County in Kenya. The entity's principal activity is to provide quality health care services to the people of Ndithini and Masinga Sub-County at large by preventing, controlling and eradicating diseases. Further the facility is tasked to rehabilitate and promote healthy living by ensuring quick accessibility of efficient, equitable, affordable and sustainable health services.

2. Statement of Compliance and Basis of Preparation

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

3. Adoption of New and Revised Standards

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

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

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

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

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

iii) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year 2022-2023

4. Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

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

ii) Revenue from exchange transactions

Rendering of services

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

Sale of goods

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

Interest income

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

Rental income

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

Notes to the Financial Statements (Continued)

b. Budget information

The original budget for FY 2022-2023 was approved by the management on 30th June 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the hospital recorded zero additional appropriations on the FY 2022-2023 budget following the managements 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 on page 8 under section statement of comparison on budgeted and actual amounts of these financial statements.

c. Taxes

Sales tax/ Value Added Tax

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

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

Notes to the Financial Statements (Continued)

d. Investment property

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

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a period of 10 years. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

e. Property, plant and equipment

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

Notes to the Financial Statements (Continued)

f. Leases

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

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

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

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

g. Intangible assets

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

Notes to the Financial Statements (Continued)

h. Research and development costs

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

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

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

i. Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

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

Notes to the Financial Statements (Continued)

Financial assets

Classification of financial assets

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

Subsequent measurement

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

Amortized cost

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

Notes to the Financial Statements (Continued)

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Financial liabilities

Classification

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

Notes to the Financial Statements (Continued)

j. Inventories

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

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

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

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

k. Provisions

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

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

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

Notes to the Financial Statements (Continued)

l. Social Benefits

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

m. Contingent liabilities

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

n. Contingent assets

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

o. Nature and purpose of reserves

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

p. Changes in accounting policies and estimates

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

Notes to the Financial Statements (Continued)

q. Employee benefits

Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump-sum payments or increased future contributions on a proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

r. Foreign currency transactions

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

s. Borrowing costs

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

t. Related parties

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

Notes to the Financial Statements (Continued)

u. Service concession arrangements

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

v. Cash and cash equivalents

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

w. Comparative figures

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

x. Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Notes to Financial Statements Continued

6. Transfers from the County Government

Unconditional grants		
Operational grant	1,080,000	1,000,000
Level 5 grants		
Unconditional development grants		
Other grants		
Conditional grants		
User fee forgone		
Transforming health services for Universal care project (THUCP)		
DANIDA		
Wards Development grant		
Paediatric block grant		
Administration block grant		
Laboratory grant		
Total government grants and subsidies	1,080,000	1,000,000

6 b Transfers from The County Government

Machakos County Government	1,080,000		0	0	0
Total	1,080,0000		0	0	0

Notes to Financial Statements Continued

7. In Kind Contributions from The County Government

Salaries and wages		
Medical supplies-Drawings Rights (KEMSA)		
Pharmaceuticals and Non-Pharmaceutical Supplies (other suppliers)		
Utility bills		
Total grants in kind		

8. Grants From Donors and Development Partners

Cancer Centre grant- DANIDA		
World Bank grants		
Paediatric ward grant- JICA		
Research grants		
Other grants (<i>specify</i>)		
Total grants from development partners		

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

Donor e.g., DANIDA				
JICA				
World Bank				
Total				

Notes to Financial Statements Continued

9. Transfers From Other Government Entities

Transfer from National Government (Ministry of Health)		
Transfer from National Hospital		
Transfer from Institute		
Total Transfers		

10. Public Contributions and Donations

Public donations		
Donations from local leadership		
Donations from religious institutions		
Donations from other international organisations and individuals		
Other donations(<i>specify</i>)		
Donations in kind-amortised		
Total donations and sponsorships		

10 (a)Reconciliations of amortised grants

Balance unspent at beginning of year		
Current year receipts		
Amortised and transferred to revenue		
Conditions to be met – remain liabilities		

Notes to Financial Statements Continued

11. Rendering of Services-Medical Service Income

Pharmaceuticals		
Non-Pharmaceuticals		
Laboratory		
Radiology		
Orthopedic and Trauma Technology		
Theatre		
Accident and Emergency Service		
Anesthesia Service		
Ear Nose and Throat service		
Nutrition service		
Cancer centre service		
Dental services		
Reproductive health		
Paediatrics services		
Farewell home services		
Other medical services income		
Total revenue from the rendering of services		

Notes to the Financial Statements (Continued)

12. Revenue From Rent of Facilities

Residential property		
Commercial property		
Total Revenue from rent of facilities		

13. Finance /Interest Income

Cash investments and fixed deposits		
Interest income from short- term/ current deposits		
Interest income from Treasury Bills		
Interest income from Treasury Bonds		
Interest from outstanding debtors		
Total finance income		

14. Miscellaneous Income

Insurance recoveries		
Income from sale of tender		
Services concession income		
Sale of goods (water, publications, containers etc)		
Write backs (Deposits, payments in advance etc)		
Bad debts recovered		
Others(Balance b/f	2455	85,866
Total Miscellaneous income		

Notes to the Financial Statements (Continued)

15. Medical/ Clinical Costs

Dental costs/ materials		
Laboratory chemicals and reagents	10,000	
Public health activities		
Food and Ration	54,600	199,500
Uniform, clothing, and linen	40,000	
Dressing and Non-Pharmaceuticals	30,000	
Pharmaceutical supplies		
Health information stationery	35,000	
Reproductive health materials		
Sanitary and cleansing Materials	40,289	
Purchase of Medical gases		
X-Ray/Radiology supplies		
Other medical related clinical costs	40,750	60,000
Total medical/ clinical costs	250,639.00	259,500

16. Employee Costs

Salaries, wages, and allowances	134,200	175,000
Contributions to pension schemes		
Service gratuity		
Performance and other bonuses		
Staff medical expenses and Insurance cover		
Group personal accident insurance and WIBA		
Social contribution		
Other employee costs		
Employee costs	134,200	175,000

Notes to the Financial Statements (Continued)

17. Board of Management Expenses

Chairman's Honoraria		
Sitting allowance		
Mileage		
Insurance expenses		
Induction and training		
Travel and accommodation allowance		
Airtime allowances		
Total		

18. Depreciation and Amortization Expense

Property, plant and equipment		
Intangible assets		
Investment property carried at cost		
Total depreciation and amortization		

19. Repairs And Maintenance

Property- Buildings	40,000	90,000
Medical equipment		
Office equipment		
Furniture and fittings		90,000
Computers and accessories		
Motor vehicle expenses	45,000	25,000
Maintenance of civil works	30,000	
Total repairs and maintenance	115,000	205,000

Notes to the Financial Statements (Continued)

20. Grants And Subsidies

Community development and social work		
Education initiatives and programs		
Free/ subsidised medical camp		
Disability programs		
Free cancer screening		
Social benefit expenses		
Other grants and subsidies		
Total grants and subsidies		

21. General Expenses

Advertising and publicity expenses		
Catering expenses		
Waste management expenses		
Insecticides and rodenticides		
Audit fees		
Bank charges	1689	1911
Conferences and delegations		
Consultancy fees		
Contracted services		
Electricity expenses		
Fuel and Lubricants	190,000	50,000
Insurance		
Research and development expenses		
Travel and accommodation allowance	130,400	235,000
Legal expenses		
Licenses and permits		
Courier and postal services		
Printing and stationery	108,261	92,000
Hire charges		
Rent expenses		
Water and sewerage costs	110,000	65,000
Skills development levies		
Telephone and mobile phone services	40,000	

Internet expenses		
Staff training and development		
Subscriptions to professional bodies		
Subscriptions to newspapers periodical, magazines, and gazette notices		
Library books/Materials		
Parking charges		
Total General Expenses	580,350	443,911

22. Finance Costs

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

Property, plant, and equipment		
Intangible assets		
Other assets not capitalised (<i>specify</i>)		
Total gain on sale of assets		

24. Unrealized Gain On Fair Value Investments

Investments at fair value		
Total gain		

Notes to the Financial Statements (Continued)

25. Medical Services Contracts Gains /Losses

Comprehensive care contracts with NHIF		
Non- Comprehensive contracts care with NHIF		
Linda Mama Program		
Waivers and Exemptions		
Total Gain/Loss		

26. Impairment Loss

Property, plant, and equipment		
Intangible assets		
Total impairment loss		

27. Cash And Cash Equivalent

Current accounts	2266	2455
On - call deposits		
Fixed deposits accounts		
Cash in hand		
Others(<i>specify</i>)- Mobile money		
Total cash and cash equivalents	2266	2455

Notes to the Financial Statements (Continued)

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

a) Current account			
Kenya Commercial bank	1128456419	2266	2455
Equity Bank, etc			
Sub- total			
b) On - call deposits			
Kenya Commercial bank			
Equity Bank – etc			
Sub- total			
c) Fixed deposits account			
Bank Name			
Sub- total			
d) Others(specify)			
cash in hand			
Mobile money- Mpesa, Airtel money			
Sub- total			
Grand total		2266	2455

28. Receivables From Exchange Transactions

Medical services receivables		
Rent receivables		
Other exchange debtors		
Less: impairment allowance		
Total receivables		

Analysis of Receivables From Exchange Transactions

	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year				
Between 1- 2 years				
Between 2-3 years				
Over 3 years				
Total (a+b)				

29. Receivables From Non-Exchange Transactions

Transfers from the County Government		
Undisbursed donor funds		
Other debtors (<i>non-exchange transactions</i>)		
Less: impairment allowance		
Total		

Analysis of Receivables From Non-Exchange Transactions

	FY 2022- 2023	% of the total	FY 2021-2022	% of the total
Less than 1 year				
Between 1- 2 years				
Between 2-3 years				
Over 3 years				
Total (a+b)				

0. Inventories

Pharmaceutical supplies		
Maintenance supplies		
Food supplies		
Linen and clothing supplies		
Cleaning materials supplies		
General supplies		
Less: provision for impairment of stocks		
Total		

Notes to the Financial Statements (Continued)

32. Intangible Assets-Software

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

At beginning of the year		
Additions		
Disposals during the year		
Fair value gain		
Depreciation (<i>where investment property is at cost</i>)		
Impairment		
At end of the year		

Notes to the Financial Statements (Continued)

34. Trade and other Payables

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

35. Refundable Deposits from Customers/Patients

Medical fees paid in advance				
Credit facility deposit				
Rent deposits				
Others (specify)				
Total deposits				
Ageing analysis:	Current FY	% of the Total	Comparative FY	% of the Total
Under one year				
1-2 years				
2-3 years				
Over 3 years				
Total				

Notes to the Financial Statements (Continued)

36. Provisions

Balance at the beginning of the year				
Additional Provisions				
Provision utilised				
Change due to discount & time value for money				
Total provisions				
Current Provisions				
Non-Current Provisions				
Total Provisions				

37. Finance Lease Obligation

	Kshs	Kshs
Current Lease obligation		
Long term lease obligation		
Total		

38. Deferred Income

Current Portion		
Non-Current Portion		
Total		

Ndithini Level 4 Hospital (Machakos County Government)

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

Notes to the Financial Statements (Continued)

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

	National government			
Balance b/f				
Additions during the year				
Transfers to Capital fund				
Transfers to statement of financial performance				
Other transfers (<i>Specify</i>)				
Balance C/F				

39. Borrowings

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		

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

Current Obligation		
Non-Current Obligation		
Total		

Notes to the Financial Statements (Continued)

40. Service Concession Arrangements

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. Social Benefit Liabilities

Health social benefit scheme		
Unemployment social benefit scheme		
Orphaned and vulnerable benefit scheme		
People Living with Disabilities benefit Scheme		
Elderly social benefit scheme		
Bursary social benefits		
Total		
Current social benefits		
Non- current social benefits		
Total (tie to totals above)		

Notes to the Financial Statements (Continued)

42. Cash Generated from Operations

[REDACTED]		
Surplus for the year before tax		
Adjusted for:		
Depreciation		
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		
Increase in deferred income		
Increase in payables		
Increase in payments received in advance		
Net cash flow from operating activities		

Notes to the Financial Statements (Continued)

43. Financial Risk Management

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

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

(i) Credit risk

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

	Total amount Kshs	Fully performing Kshs		
At 30 June 2022				
Receivables from exchange transactions				
Receivables from –non-exchange transactions				
Bank balances				
Total				
At 30 June 2023				
Receivables from exchange transactions				
Receivables from –non-exchange transactions				
Bank balances				
Total				

Notes to the Financial Statements (Continued)

Ndithini Level 4 Hospital (Machakos County Government)

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The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has significant concentration of credit risk on amounts due from. The management sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

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

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

	Less than 1 month			
	Kshs			
At 30 June 2023				
Trade payables				
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
Total				
At 30 June 2023				
Trade payables				
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
Total				

Notes to the Financial Statements (Continued)

(iii) Market risk

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

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

a) Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	KSh	USD
At 30 June 2023		
Financial assets (investments, cash, debtors)		
Liabilities		
Trade and other payables		
Borrowings		
Net foreign currency asset/(liability)		

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

Notes to the Financial Statements (Continued)

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

Foreign currency sensitivity analysis

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

Description	Change in	
	currency rate	Effect on Profit
	Kshs	Kshs
2022		
Euro		
USD		
2023		
Euro		
USD		

b) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

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

iv) Capital Risk Management

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

	2023	2022
	KShs	KShs
Revaluation reserve		
Retained earnings		
Capital reserve		
Total funds		
Total borrowings		
Less: cash and bank balances		
Net debt/ <i>(excess cash and cash equivalents)</i>		
Gearing		

Notes to the Financial Statements (Continued)

44. Related Party Balances

Nature of related party relationships

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

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

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

	FY 2022-2023 Kshs	
Transactions with related parties		
a) Services offered to related parties		
Services to		
Sales of services to		
Total		
b) Grants from the Government		
Grants from County Government		
Grants from the National Government Entities		
Donations in kind		
Total		
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees		
Payments for goods and services for xxx		
Total		
d) Key management compensation		

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	FY 2022-2023	
	Kshs	
Directors' emoluments		
Compensation to the medical Sup		
Compensation to key management		
Total		

45. Segment Information

46. Contingent Liabilities

	FY 2022-2023	
	Kshs	
Court case against the company		
Bank guarantees in favour of subsidiary		
Total		

47. Capital Commitments

	FY 2022-2023	
	Kshs	Kshs
Authorised For		
Authorised And Contracted For		
Total		

48. Events after the Reporting Period

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

49. Ultimate and Holding Entity

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

50. Currency

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

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

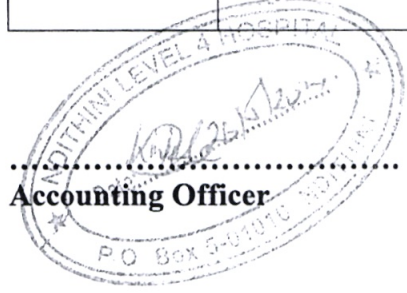
Ndithini Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

20. **Appendices**

Appendix 1: Progress on Follow Up of Auditor Recommendations

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

	Observations from Auditor	Management comments	Status (Resolved Not Resolved)	Time frame

.....
Accounting Officer


Appendix II: Projects Implemented by The Entity

Projects

Projects implemented by the Hospital Funded by development partners

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1						
2						

Status of Projects completion

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

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

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

Appendix III: Inter-Entity Confirmation Letter

REPUBLIC OF KENYA



COUNTY GOVERNMENT OF MACHAKOS
DEPARTMENT OF HEALTH & EMERGENCY SERVICES

Telephone: 0726 280671
Email: ndithini4@gmail.com

NDITHINI LEVEL 4 HOSPITAL,
P.O. BOX 5 NDITHINI

*NDITHINI LEVEL 4 HOSPITAL
PO BOX 4 HOSPITAL*

The Machakos County Government wishes to confirm the amounts disbursed to you as at 30th June 2023 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.



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

Confirmation of amounts received by [Insert name of beneficiary entity] as at 30th June 2023

Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (KShs) as at 30th June 2023				Amount Received by [beneficiary entity] (KShs) as at 30 th June 2023 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
00032889	18/10/2022	250,000					
00034497	10/03/2023	250,000					
00037799	4/05/2023	500,000					
999999	12/05/2023	80,000					
Total		<u>1,080,000</u>					

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

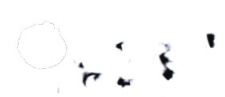
Head of Accounts Department of the beneficiary entity:

Name Elvis M. Njiru Sign  Date 26/6/2023

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

Appendix IV Reporting of Climate Relevant Expenditures

[Redacted]									
				Q1	Q2	Q3	Q4		





Appendix V: Disaster Expenditure Reporting Template

Programme	SIP	Disaster	Category of Disaster (response/recovery/mitigation/preparedness)	Expenditure (KES)	Percentage (%)	Comments