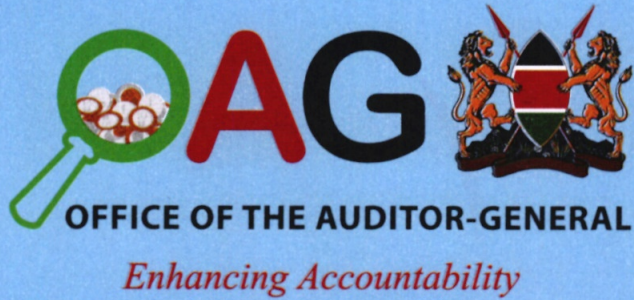
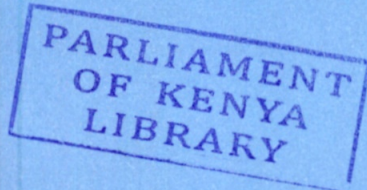


REPUBLIC OF KENYA



REPORT



OF

THE AUDITOR-GENERAL

ON

KARATINA SUB-COUNTY LEVEL 4 HOSPITAL

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

COUNTY GOVERNMENT OF NYERI

PAPERS LAID	
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**Karatina Sub County Hospital
(County Government of Nyeri)**

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)



Karatina Sub County Hospital (County Government of Nyeri)
Annual Report and Financial Statements for The Year Ended 30th June 2023

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1. Acronyms & Glossary of Terms

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

CSR	Corporate Social Responsibility
OSHA	Occupational Health & Safety Act
PFMA	Public Financial Management Act
KEMSA	Kenya Medical Supplies Agency
MEDs	Mission for Essential Drugs Supply
HMT	Hospital Management Team.
CHMT	County Health Management Team
MED SUP	Medical Superintendent
NHSF	Nyeri Health Service Funds
Fiduciary Management	Key management personnel who have financial responsibility in the entity.

2. Key Entity Information and Management

(a) Background information

Karatina Sub County Hospital is a level (4) hospital established in the year 1973 as a Health Centre and categorized as a level IV facility in 2020 under gazette notice number Vol. CXXII No. 24 dated 4th February, 2020. The hospital is domiciled in Nyeri County under the Department of Health.

The hospital catchment population is 77,947 people spread across the Mathira sub counties but serves communities beyond Mathira stretching to Kirinyaga and Murang'a Counties. The hospital is a 7 wards hospital with a bed capacity of 216 beds and average bed occupancy of 87%. The hospital is relatively busy with a monthly workload of 7,500 clients for general outpatient and 2,700 for specialised clinics and an inpatient admission of 750 patients, the hospital continues to offer health services that are responsible to the community needs. The hospital is governed by a Board of Management appointed by the Governor.

(b) Principal Activities

The hospital was established as a level IV for hospital with a core mandate of promoting and providing quality preventive, promotive curative and rehabilitative services. The hospital serves as a referral centre for over 28 primary health facilities across Mathira sub counties.

Vision:

An efficient and high quality health care system that is accessible and affordable to all

Mission:

To promote and provide quality integrated curative, preventive, promotive and rehabilitative services

(c) Key Management

The hospital's management is under the following key organs as provided in the hospital organogram:

- County Department of health Services
- Board of Management
- Hospital Director.
- Hospital Management team (HMT)

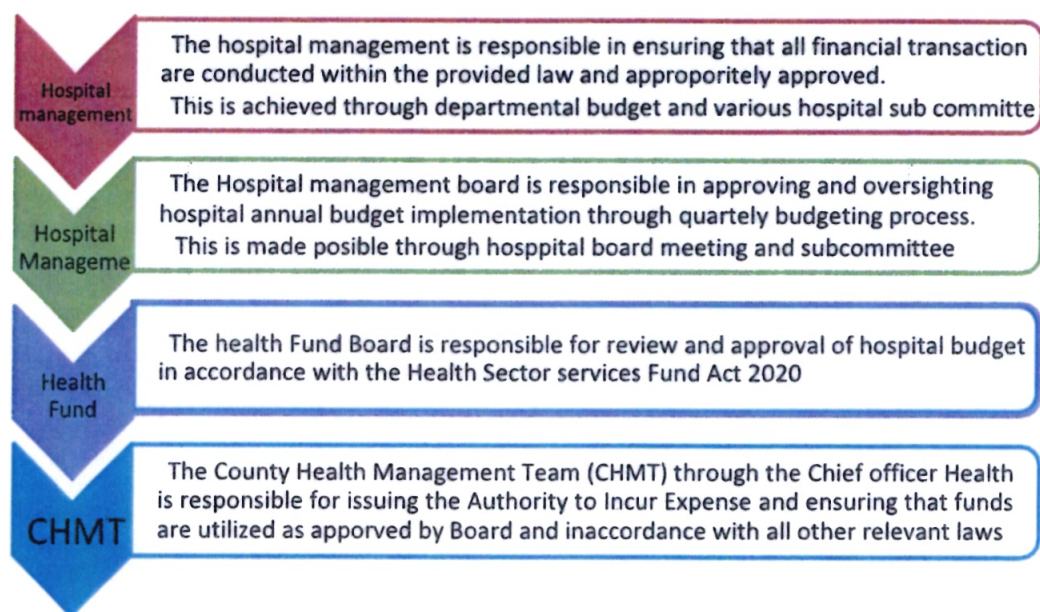
(d) Fiduciary Management

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.	Hospital Director	Kelvin M Kibaara
2.	Medical Superintendent	Dr Benson Ngari-
3.	Head of Administration	Margaret Kimani
4.	Director Nursing services	Doris Maina
5.	Head of finance	John Ng'anga
6.	Head of supply chain	Ephantus Wachira

(e) Fiduciary Oversight Arrangements.

The fiduciary oversight arrangement of the hospital is structured as herein below:



The execution of the fund is done through delegated authority that involve a process outlined in the Nyeri Health services fund regulation.

(f) **Entity Headquarters**
Karatina Hospital
Along Karatina - Ragati Road
Off Karatina Nairobi Highway
Karatina.

(g) **Entity Contacts**

P.O. Box 133- 10101
Telephone: (+254) 0712925009/ 0721600982
E-mail: karatinadhospital@yahoo.com
Website:

(h) **Entity Bankers**

Kenya Commercial Bank (KCB) – Karatina Branch.

(i) **Independent Auditors**

Auditor General
Office of Auditor General
Anniversary Towers, University 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**

County Legal Officer
P.O. Box. 1112
Nyeri, Kenya

3. The Board of Management.

Ref	Board Members		Details
1.	Dr Francis Kimani Chairman Hospital Board		The chairperson of the Board is a practising Physician and a former Director of Medical Services from 2008-2014. He hold Doctorate degree in public health Management from Nairobi university
2.	Dr Benson Ngari Secretary to the Hospital Board		Medical superintendent and consultant Anaesthesiology at Karatina Sub County Hospital.
3.	Joseph Gatimu. Member representing NGO		He is currently the Deputy Project Director, CDC Kenya Supported Dhibiti Project
4.	Samuel Mwaniki Kimiru Member representing health professional.		Retired Senior registered community health Nurse doing private practice. Formally worked at Karatina Home and community based project and project coordinator and interested in community mobilisation.

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Ref	Board Members		Details
5.	Francis Kibuchi Member representing PWDs		A retired teacher by profession who has worked in various institution previous as sport coach at Kenyatta university.
6.	Ephantus Ngochi Member representing person with finance Back ground		Member of hospital board drawn from community with background in Accountant, having worked in audit and banking sector. He Holds a Bachelor's Degree in business Administration,
7.	Rahab Njeri Gachie Member Representing Health Insurances		Rahab Njeri Gachie is a Registration and compliance officer with National Health Insurance Fund (NHIF) Nyeri Branch. She holds a Degree in Commerce-Human resource and Pursuing MBA in strategic management.
8.	Rev Daniel Wachira Member representing religious organisation		Reverend with the Presbyterian Church of East Africa, he holds a Diploma in Theology and training in clinical pastoral education.
9.	Dr John Ndegwa Member representing the county Director of Health		Dr Ndegwa is a member of the County Health management team a pharmacist by profession working as the County Pharmacist.

Karatina Sub County Hospital (County Government of Nyeri)
Annual Report and Financial Statements for The Year Ended 30th June 2023

4. Key Management Team

Ref	Management	Details
1.	Kelvin M Kibaara	Hospital Director
2.	Dr Benson Ngari	Medical Superintendent
3.	Margaret Kimani	In charge of Hospital Administration.
4.	Doris Maina	Nursing Manager
5.	Peninnah Muthami	Deputy Nurse Manager
6.	Dr. Nickson Syindu Musau	In charge - Psychiatrist Department.
7.	Dr John Kiiru Karanja	In charge Obstetric Gynaecology
8.	Dr Louisa Wanjiru Mahinda	Incharge Internal Medicine(Physician)
9.	Dr Ann Njeri Kariuki	Incharge Paediatrics
10.	Dr Silas Njoroge	Incharge Surgical Department
11.	Dr Stephen Waruru Warui	Incharge ENT department
12.	John Ng'ang'a	Incharge Accounts
13.	Harrison Gicheru	Incharge Physiotherapy
14.	Elijah Maina	Incharge Orthotrauma
15.	Consolata Kinyua	Incharge Health Records
16.	Beatrice Kingori	Incharge Laboratory
17.	Hilda Macharia	Incharge Nutrition
18.	Dr Josphat Mwangi	Incharge Dental Services
19.	Ann Njeri	Incharge BioMedical Engineering
20.	Dr Allison Kamaru	Incharge Pharmacy
21.	Patrick Kamau	Incharge Occupational therapy
22.	Boniface Ndegwa	Incharge Eye Department
23.	Ephantus Wachira	Incharge procurement
24.	Geofrey Mwangi	In charge Radiology
25.	Dennis Murimi Gicovi	In charge Mortuary.
26.	James Richard Nyaga	In charge Medical Social worker

5. Chairman's Statement

The Hospital Management Board was gazetted in October 2019, the board key mandate being improving health service delivery by hospital through offering sound leadership and Governance to the hospital management team. The Financial year 2022-2023 marked the beginning of the second term of the Board and the 2nd year of implementation of Nyeri Health Services Fund(NHSF), with the implementation of the Fund the board health facility has been able record improve and sustained health services delivery enabling the hospital to now positioning itself strategically to earnest great milestones.

There has been an increase in the patient attendance both at outpatient 119,097 and inpatient 8,487 which can be attributed by the reintroduction and sustaining of services such as Laboratory test (clinical chemistry), Radiology services, dental services and uninterrupted supply of health commodities, the continuous improvement of quality program has enabled positive indicators in the key thematic areas of services delivery such patient safety and infection prevention and control program, the hospital laboratory has further enrolled in accreditation program that will see aimed and improving quality assurance to our clients.

The hospital was able increase its revenue collection and surpassing its targets for the financial year. The increases revenue collection enable the hospital improve of suppliers rating hence reduction in pending bills and credit period hence improving the creditworthiness of the hospital.

Despite the tremendous improvement the hospital continues to face challenges in the following areas inadequate working space at the Outpatient block thus limiting on the number of days the specialised clinics are offered, lack of basic equipment, inadequate human resource in critical cadres such as medical officer, nurses and clinical officer's, low budget support by County Government on commodities, utilities and casual employees further affecting the hospital ability towards financial Independence and sustainability.

The hospital plans to continually improve health services through capacity building of staff and ensuring health commodities are available at a time. The board will continue to strengthen leadership and governance to ensure that the hospital is able to offer quality health services and become the level four hospital of choice within the region. The Priority in the coming financial year will be improvement of infrastructure by completion of accident and emergency block geared towards providing a conducive working environment for health workers.


Dr Francis Kimani Mwihi,
Chairman, Hospital Management Board,
Karatina Sub County Hospital.

6. Report of The Hospital Director.

Financial year 2022-2023 has been the 2nd year of implementation of Nyeri Health Sector Fund, and the 2nd year for the Hospital report of financial statement under IPSAS Accrual, both experience have proved exciting as we position ourselves towards prudent resource management and sustainability health services. The roll out of Nyeri Health fund not only provided financial independence for hospital but also enhanced predictability of fund flow creating an efficiency and effective management of scarce resource.

The Hospital revenue collection from user charges both out of pocket and Insurance has continue to improve from 86 Million in financial year 2021-22 to 127 Million 2022-23 with actual realised being 100 million. This increase in revenue has resulted positivity in many ways including; - timely payments of creditors hence improved supplier's confidence in doing business with the hospital, enable the hospital to reinstated previous terminated services such as Dental services, Laboratory test (Bio Chemistry, etc), orthopaedic technology, radiology services, improve staff motivation through training and capacity building etc. the ripples effect of all this has been improved patient care aided through timely diagnosis hence better patient Outcomes.

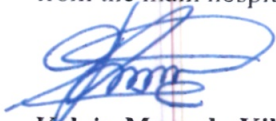
The hospital plays a Key role in the provision of quality preventive, Promotive, curative and rehabilitative services, this is achieved through activities undertaken by various hospital departments under the six thematic areas provided in the county strategic plan. The hospital offers a range of services from Outpatient Services i.e. General consultation, Specialised clinics (surgical, paediatrics, Obstetric gynaecology, Internal medicine, ENT, Psychiatric, EYE, Chest and CCC), Pharmacy services, Laboratory services, Dental services and Records, Rehabilitative services i.e. Occupation therapy, Physiotherapy, Orthopaedic and Ortho trauma services , Inpatient services (medical, surgical, paediatrics, maternity and mental health), Theatre services and mortuary services.

In the financial year 2022-23 the hospital offered services to **119,097** outpatients and 8,487 inpatient clients. The testing, enrolment and adherence of client in the compressive care centre is excellent, children under 1 year are fully immunised. Non communicable condition continue to lead in hospital morbidity and this has necessitated the hospital embark more on screening for this condition, the program on cervical cancer screening has been well received and with a resident Psychiatric available mental health screening has also improved. The hospital has improved on maternal and child health indicators with the skilled deliveries at 97% of the target population and only 1 maternal death in the reporting year. Due to staffing and unavailability of robust system data capturing and reporting is poor through the hospital management is focussing on improvement to accuracy, this is well demonstrated in low level of attendance of ANC mother for 4 visits.

The hospital was able to complete expansion of Laboratory service and renovation of the radiology and Paediatric ward, there has been installation of the Bulk oxygen tank that is able to delivery oxygen to patient bedside and hence creating efficiency in oxygen administration.

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Despite the successes recorded in the financial year under review the hospital has faced a number of challenges in execution of its mandate. These challenges range from low staffing levels, inadequate medical supplies and equipment, inadequate financing, low automation of hospital processes, poor fill rate levels from the main hospital supplier KEMSA.



Kelvin Mwenda Kibaara,
Hospital Director,
Karatina Sub County Hospital

7. Statement of Performance Against Predetermined Objectives

Karatina Sub County Hospital has six (6) thematic areas and objectives for achievement within the in our annual workplan Plan for the FY 2022/23 as elaborated in the county health strategic and investment plan 2018 -2023. These thematic areas are as follows;

1. Eliminate Communicable Conditions
2. Halt and Reverse Increase in Non-Communicable Conditions
3. Reduce the Burden of Violence and Injuries
4. Provide Essential Health Care
5. Minimize exposure to health risk factors
6. Strengthen Collaboration with Health-Related Sectors

The Hospital develops annual work plans based on the above six (6) thematic areas, assessment of the Board's performance against its annual work plan is done on a quarterly basis. The hospital achievement in the FY 2022/2022 period on its thematic areas is as indicated in the table below:

	Strategic Objectives	Achievement	Target	Achievement	Rating *
		2021/22	2022/2023	2022/2023	
A	Eliminate Communicable Conditions				
1	Proportion HIV+ pregnant mothers receiving preventive ARV's to reduce risk of mother to child transmission (PMTCT)	18	2045	127	100%
2	% Of children under 1 year of age fully immunized	1000	1176	999	85%
3	% Of children receiving three doses of Penta3 (containing vaccine (HIB/Hib/DPT3)	1020	1176	1028	87%
4	% Of TB patients completing treatment	189	100%	50	49%
5	Number of newly diagnosed TB cases	314	2691	252	10%
6	% Of eligible HIV clients on ARVs	127	248	301	121%
7	Proportion of HIV +ve identified	125	109%	122	111
8	% Of children under five years treated for Diarrhea with ORS & Zinc	266	423	161	1.20%
9	% Of school age Children de-wormed	1950	1982	2012	101%
10	Proportion of Pregnant Women receiving TT2 Plus immunization	1000	1200	428	83%
11	Number of pregnant women receiving IPT2	0	0	0	0%

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	Strategic Objectives	Achievement	Target	Achievement	Rating [*]
		2021/22	2022/2023	2022/2023	
12	Number of children under 1 distributed with Long Lasting Insecticide Treated Nets (LLITNs) in endemic and epidemic districts	0	0	0	0%
13	Number of pregnant women distributed with Long Lasting Insecticide Treated Nets in endemic and epidemic districts	0	0	0	0%
14	Total confirmed malaria cases [per 1,000 persons per year]	2	0	9	44/100 0
15	Proportion of people receiving MDA for schistosomiasis	0	0	0	0%
B	Halt and Reverse Increase in Non-Communicable Conditions				
16	% Of Women of Reproductive Age screened for cervical cancer	901	1500	874	58%
17	Number of new Outpatients with mental health conditions per 100,000 population	203	200	345	322
18	Number of new Outpatients diagnosed with high blood pressure per 100,000 population	884	500	503	470
19	Number of new Outpatients diagnosed with Diabetes per 100,000 population	609	800	207	76%
20	Proportion of adults OPD clients with BMI more than 25	0	0	N/A	0
21	Proportion of adolescent girls vaccinated with HPV vaccine	439	500	397	88%
C	Reduce the Burden of Violence and Injuries				
22	% Of new outpatient cases attributed to gender-based violence	583	364	152	160.00 %
23	Road traffic injuries in OPD as a % of all diagnoses	85	100	456	1%
24	% Of new outpatient cases attributed to other injuries	236	200	3254	88%
25	% Of Patients with injury related conditions dying in the facility	111	0	39	1%
D	Provide Essential Health Care				
26	% Of Pregnant women attending at least 4 ANC visits	976	976	1160	39%
27	% Of Women of reproductive age (WRA) receiving family planning (FP) commodities	1181	5644	2231	12%

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	Strategic Objectives	Achievement	Target	Achievement	Rating *
		2021/22	2022/2023	2022/2023	
28	Proportion of pregnant women getting IFAS supplements at 1st ANC	6271	8043	6984	37%
29	% of deliveries conducted by skilled attendants in health facilities	2884	2652	2702	90%
30	Number of children Under 5 dying in health facility	83	0	17	1.29(17 /13173 *1000)
31	Fresh Stillbirth rate per 1,000 births in health facilities	35	0	29	11
32	Number of Facility Maternal deaths per 100,000 deliveries	0	0	1	37/100,000
33	% of surgical cold cases operated	526	415	434	126%
34	Proportion low birth weight in health facilities rate per 1,000 births	238	150	213	71/1000
35	Proportion of Children under 5 years attending Child Welfare Clinics for growth monitoring (new cases)	1016	2000	1189	51%
36	Proportion of Households provided with health promotion messages	0	500	531	94%
37	Proportion of Clients tested for HIV amongst 1st ANC attendees	1673	2567	1700	0.60%
38	Couple Year Protection (CYP) (Million)	1325	2500	965	0.30%
E	Minimize exposure to health risk factors				
39	Percentage of children 0-5 (<6 months) months who were exclusively breastfed	3634		4297	33%
F	Strengthen Collaboration with Health-Related Sectors				
40	Proportion of Children under 5 years attending Child Welfare Clinics who are under weight	2816	150	213	71/1000
41	Proportion of Children under 5 years attending Child Welfare Clinics who are stunted	77	0	81	0.60%
42	% of Households with functional toilets		15589	15589	100%
43	% of Households with hand washing facilities		15589	15589	100%
44	% of households using improved sanitation facilities		15589	15589	100%
45	% of households using improved safe water facilities		15589	15589	100%
46	% of health facilities access to source of power		1	1	100%
47	% of women completed secondary education				80%

8. Corporate Governance Statement

Commitment to good corporate governance is fundamental in ensuring accountability, transparency and fairness to our stakeholders in meeting their expectations. Through the Hospital Board the Hospital remains steadfast in complying with requirements of County Government Act, Nyeri County Health Services Act 2015, Nyeri Health Service Fund Act 2021 and other applicable laws governing the Code of Governance of hospital Boards.

Hospital Management Board.

The Hospital board was established through a gazette notice no CXXI No 132 dated 4th October 2019 of following due process of appointment by HE. Governor Mutahi Kahiga in accordance with the provision of the Nyeri County Health Services Act 2015. The board is composed of nine members of 8 Non Executive members and one executive member being the medical superintendent, the board is drawn from various representative groups. The Hospital Board conducts its Business in accordance with the provision of the Nyeri County Health Service act 2015, Nyeri Health Service Fund Act 2021 and other applicable laws governing the conduct of the Board.

Composition of the Board.

Pursuant to second Schedule of the Nyeri County Service act 2015 the board comprises of

- a) A non-executive chairperson nominated by the executive secretary and appointed by the Governor;
- b) The Hospital In- Charge of the hospital who shall be an ex officio member and the secretary;
- c) The County Director or his/her representative
- d) One person representing faith based organizations
- e) One person representing non-governmental organizations providing health services in the county or sub county
- f) One person representing persons with disabilities;
- g) One person representing health professional bodies in the County or sub county, who are not public officers;
- h) One person who has knowledge or experience in finance or accounting; and
- i) One person representing the health insurance

Responsibility of the board in financial management.

The responsibility of the hospital board in accordance with the provision of the Nyeri Health Service Fund 2021 include; -

- a) approve budgets, programmes and plans of the health Services;
- b) prepare an annual budget and plan to be adopted by the Fund Board;
- c) formulate strategies on resource mobilisation;
- d) resolve any conflicts that arise amongst health Services whose nature is the allocation of resources, membership of the committees or joint programmes;

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- e) inspect health Services, prepare reports and forward to the Fund Board;
- f) identify implementation challenges and seek corrective actions;
- g) Make policy recommendations on cost sharing, public awareness on health and administration of the fund.
- h) Determine such number of standing committees and composition of ad hoc committees.

Hospital Board meetings.

The hospital board meetings are scheduled on quarterly basis and are conducted every 1st month of a quarter and not later than 15th day of that month, where the situation provides that the hospital board may hold a special board meeting. The hospital board meetings are capped to not more than six (6) meetings in one financial year. The Chairman, in conjunction with the Secretary, sets the agenda for each Board meeting which is circulated at least seven days prior to meeting. In the year under review, the Board held a total of 6 meetings to consider pertinent issues relating to budget, performance and sustainability of the Hospital

Board and subcommittee meeting attendance.

	Hospital Board Meeting	Boards Sub Committee		
		Finance and General Purpose Sub-committee.	Quality of Healthcare (QHC) services sub-committee.	Audit Sub-Committee.
Dr Francis Kimani (chairman)	5			
Dr Benson Ngari (secretary)	6		4	
Joseph Gatimu.	1			
Bernard Kimtai	5			2
Samuel Mwaniki Kimiru.	6		4	
Francis Kibuchi	5		4	
Ephantus Ngochi	6	5		
Rahab Njeri Gachie	6	5		
Rev Daniel Wachira	5	3		
Dr John Ndegwa	5			3

Board Committees

In order to achieve efficiency and effectiveness in delivery of its mandate the Board constituted three (3) sub committees with clearly defined terms of reference relating to key areas of operations. The committees operate on delegated authority without diluting the Board's accountability. Members to the committees are appointed taking into consideration the necessary skills and experience in a particular field and are assisted by members of the hospital management team for better execution of the mandate. The Board Chairman is not allocated any role in the subcommittee. The committee members include: -

1. Finance and General Purpose Sub-committee.

a.	Ephantus Ngochi	Board Member	Chairing
b.	Kelvin Kibaara	Hospital Director	Member
c.	John Ng'anga	In charge Accounts	Member
d.	Ephantus Wachira	In charge supply chain management	Member
e.	Dr Allison Kamaru	Pharmacist	Member
f.	Rahab Njeri	Board Member	Member

2. Quality of Healthcare (QHC) services sub-committee.

- a. Samuel M Kimiru - Chairman
- b. Francis Kibuchi – Member
- c. Dr Benson M Ngari –Medical superintendent
- d. Dorris W Maina –Nurse manager
- e. Elizabeth Nguyo – Member-qhc chairperson
- f. Rebecca Muiga – member –qhc co-ordinator

3. Audit Sub-Committee.

a.	Joseph Gatimu	Board Member	Chairing
b.	Dr John Ndegwa	Board Member	Member
c.	Penina Muthani	Dep Nurse Manager	Member
d.	Mary Wachira	Outpatient	Member
e.	Polycarp Mocheche	Dental Department	Member
f.	Margaret Kimani	Health Administrator	Member

9. Management Discussion and Analysis

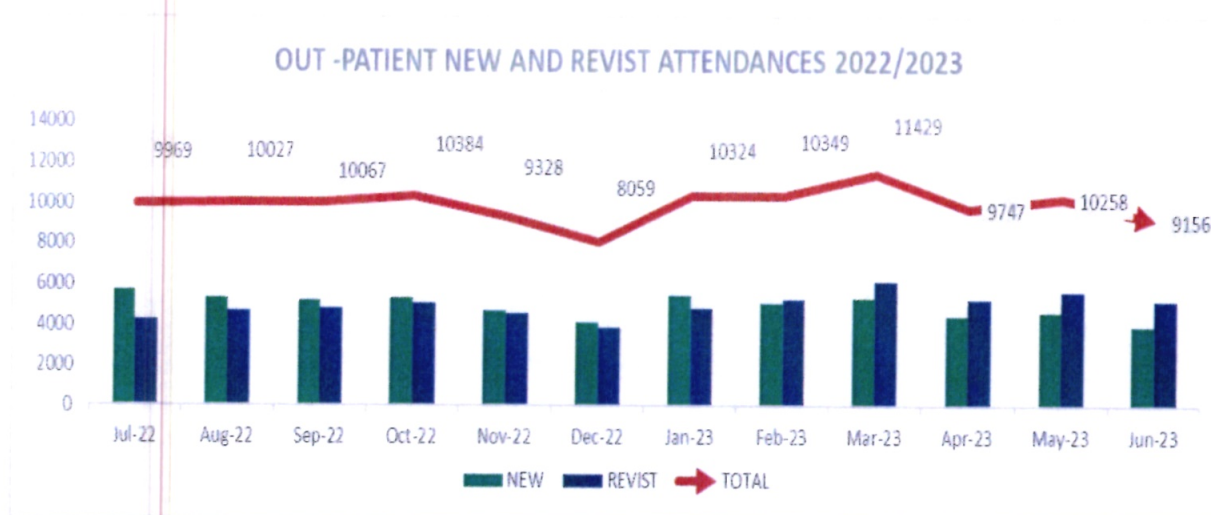
Karatina Sub County Hospital continues to provide a range of healthcare services to its catchment population ranging for outpatient filter clinics, specialized consultant's clinics, inpatient services, theatre services and morgue services amongst others. The hospital also provides clinical support services that include laboratory, pharmacy and radiology services.

Clinical/operational performance

The hospital outpatient visits in the financial year 2022-23 was **119,097** clients comprising both new and revisit clients as presented in the bar graph below, this is an increase on total clients seen recording an average of 9,925 patients monthly. The highest number of new patients is in the over five categories while the hospital experiences more revisit of 101%.

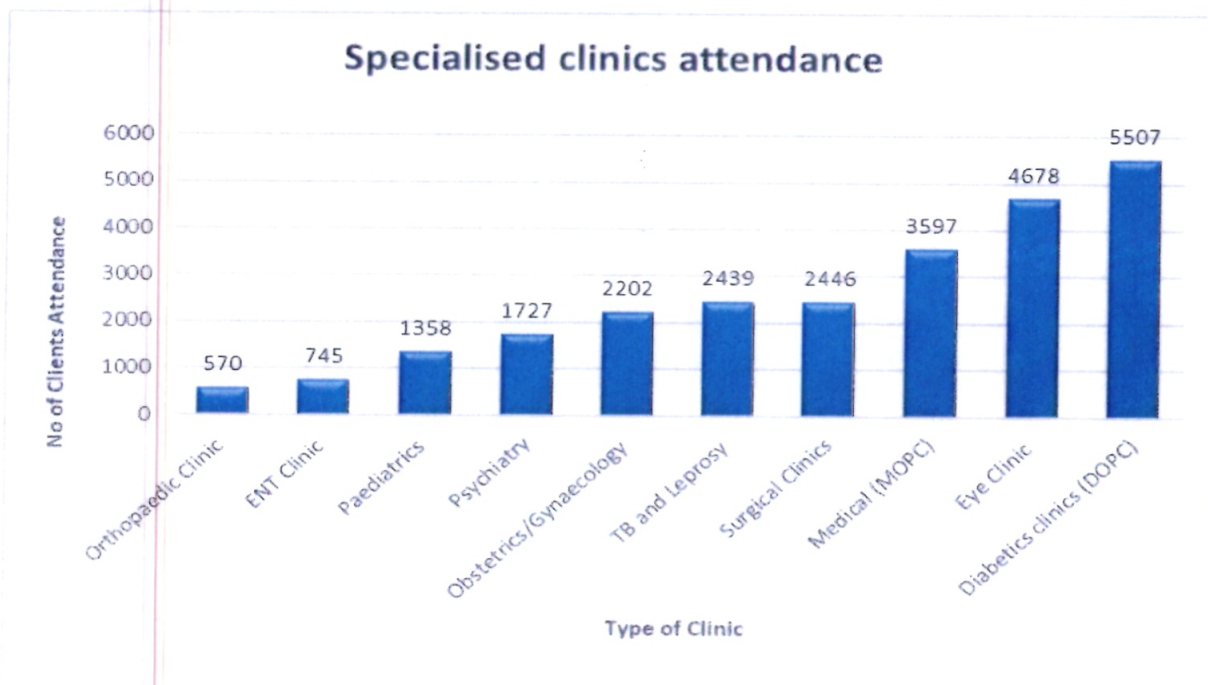
Outpatient specialized clinics

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Specialised clinics attendance

The specialised clinics are relatively busy recording on average 2100 clients per month. The highest attendance recorded is in the Diabetes Clinic(DOPC) followed by the Eye clinic, there is need to invest more on non-communicable condition which have the highest occurrence.



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INPATIENT ATTENDANCIES.

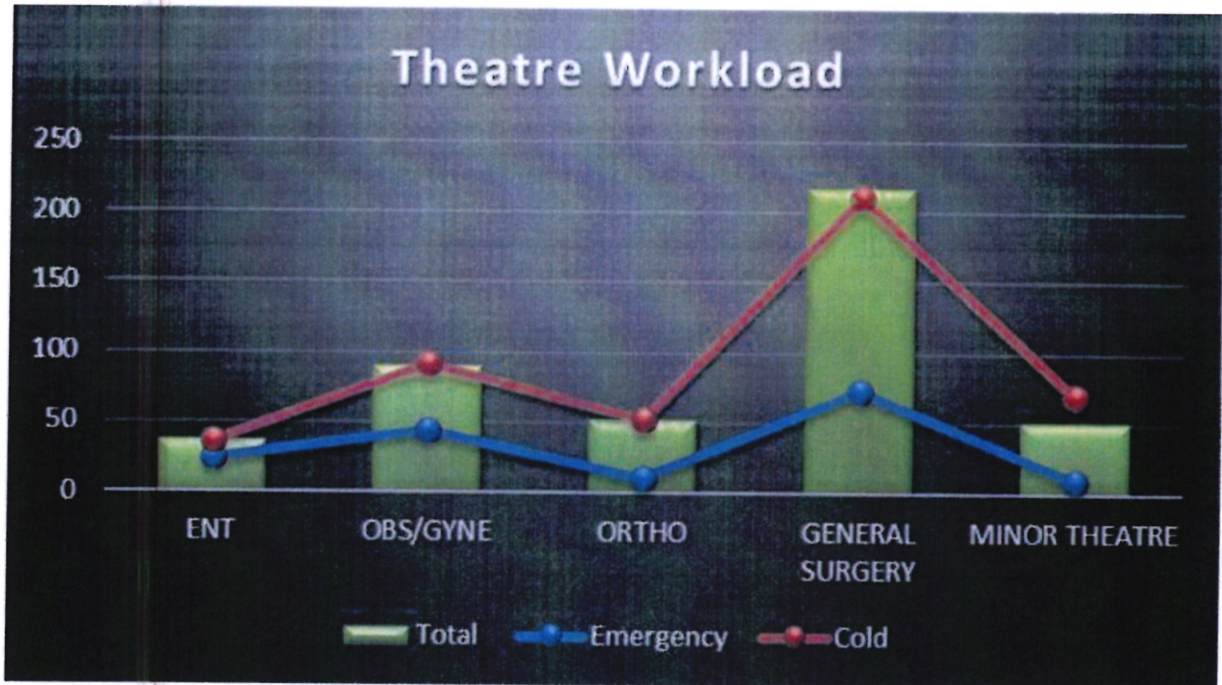
The hospital comprises Seven (7) wards with a total bed capacity of 216 beds and 12 Baby Cots. The average length of stay at the hospital is 7.25 days and the average bed occupancy is 67%. The hospital inpatient Mortality rate is 70.55/1000 population. The total hospital admission in the financial under review was 8,487 patients given a monthly average of 707 admissions as indicated in the chart below.

Wards	Admission	Bed occupancy Rate	ALOS	Mortality/1000
MALE MEDICAL	983	58%	9.1	180
FEMALE MEDICAL	1076	75%	9	130
MALE SURGICAL	1025	58%	7.1	56
FEMALE SURGICAL	1177	63%	6.9	43
PAEDIATRICS	1200	81%	6.3	14
MATERNITY	3026	66%	5.1	0.3
TOTAL	8487	401%	43.5	423.3
Average	707	67%	7.25	70.55

SURGICAL THEATRE UTILISATION.

The hospital has two operational theatres at any given day i.e. the main theatre and the maternity theatre the average monthly utilization for both theatres is 97 cases there is increase in caesarean cases and introduction of orthopedic cases that is gaining prominence. The facility is looking at investing more on instrument (ENT and Traction table) and equipment especially the Image intensifier for optimal utilization of the specialist.

Specialisation	Major	Minor	Emergency	Cold
ENT	28	8	24	12
OBS/GYNE	60	30	44	47
ORTHOPEDIC	37	15	10	42
GENERAL SURGERY	153	64	73	138
CEASERIAN SECTION	723	0	530	193
MINOR THEATRE	0	51	9	60



Financial performance that includes:

The total revenue generated in provision of health services is Ksh 148,827,795 this includes waivers and exemption totaling to Ksh 8,115,045 against a projected revenue of Ksh 105,035,352. However, the actual revenue received by the hospital was Ksh 100,374,875. The outstanding claims from insurances is Kshs 34,439,764. This revenue has been improving over time as strengthening of the Health Sector Fund continues. This can be attributable to less interruption of medical supplies and reintroduction of new services menus, the revenue realized by department is tabulated here in:

Description	2022/23
	KShs
Pharmacy	27,586,352
Xray	10,240,266
Laboratory	13,089,937
Mortuary	8,145,760
Maternity	601,995
Inpatient	41,180,162
Specialise Clinics	3,407,504
Outpatient	1,884,137
Theatre	3,908,493
Orthopedic	236,170
E.N.T	555,182
Ortho trauma	1,865,659

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Others	769,968
Medical records	18,351,932
Occupational therapy	1,518,116
Transport- Ambulance	1,153,583
Medical exams	2,496,775
MCH	242,236
Physiotherapy	661,613
Eye	715,250
Dental	2,101,661
Exemptions	5,737,004
Waiver	2,378,041
Total	148,827,795

Revenue sources.

The total revenue realised by the hospital was Kshs 148,827,795 from various revenue sources, the highest source of revenue is the insurances (Nhif, Britam, Minet and Cbhif) followed by Cash (out of pocket)

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o *Utilisation of funds etc*

The revenue collected is budgeted and approved for spending by the hospital Board subject to issuance of authority to incur expense by the chief officer health. The annual budget appropriated by the Hospital Board at the beginning of the financial year was **Ksh 109,221,462**. The hospital was able to 95% of the projected budget **Ksh 104,104,095**, closing with a balance of **Ksh 3,669,180**.



.....
Name

Secretary to the Board

10. Environmental and Sustainability Reporting

i) Sustainability strategy and profile

Karatina sub county hospital exist to provide quality and affordable health care services to its clients, the hospital is committee towards ensuring sustainability services delivery to achieve this the hospital management committee to ensure uninterrupted supply of health products and technology, clear understanding of its client and continuous investment in efficient and effective system,

The hospital in the coming financial year will commence the completion of stalled building to provide an adequate working environment and expansion of range of services.

ii) Environmental performance

The hospital has adopted green energy and is seeking to expand it to all inpatient departments for patient solar heating and lighting systems. Tree planting in the vast hospital land will be encouraged to ensure sustainability, adoption of environment friendly cooking methods is already in place and measure to sustain it in place.

iii) Employee welfare

The hospital is an entity under the County Government of Nyeri- Health department, and hence the recruitment and personnel management function is handled by the County Public Service Board, the hospital however strives to offer and provide platform for capacity building of staff through continuous education, sponsorship of conferences and seminars

iv) Marketplace practices-

As a government entity the hospital is guided by accessible and affordable principles, in setting our user fees and charges a minimal margin (10%) is added to only consumable items such as medicines and non-pharmaceuticals. This seeks to guarantee the hospital is able to reinvest in the commodities to mitigate incidences of stock out.

a) Responsible competition practice.

Hospital charges are set through the County Annual Finance bill that undergoes a process of public participation aimed at affording our clients an opportunity to understand and participate in setting prices for the services they consume. The hospital being the only Level IV Government health facility in the Sub County sets the prices below the market price and only seeks a sales margin on direct consumables, this is geared towards guarantee access to services by all citizens.

b) Responsible Supply chain and supplier relations

The hospital suppliers are listed by the County Government through a biannual tender in promoting competition and fairness the hospital strives to ensure that prequalified suppliers are given opportunities to participate in the tendering process. It is the hospital general practice to pay suppliers within the reasonable credit period applicable to the market upon delivery and invoicing this payment is paid based on ageing analysis and the old bills are cleared first. The hospital credit period average is below 45 days and the management is keen on bringing it down to an average of 30 days.

c) Product stewardship

In the provision of Health services, the hospital applies quality standards and guidelines issued from time to time, the hospital has a standing committee that checks the quality of health services offered to our clients through period audits that is shared with the management. The hospital is also keen on supplies to the hospital to ensure quality of supplies, the main suppliers are KEMSA and MEDs who have an elaborate quality control check that can be relied upon.

v) Corporate Social Responsibility / Community Engagements

The hospital periodically engages the community in effort to get views on their perception on services offered to them, during health days celebration and nurses week the hospital participates in corporate social responsibilities and medical camps.

11. Report of The Board of Management

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

Principal activities

The principal activities of the entity are provision of quality health services namely;

- Preventive health services which include immunisation, vaccination and public health.
- Promotive health service health education.
- Curative health services i.e. outpatient and inpatient services,
- Rehabilitative health services which include psychiatric, occupation therapy, physiotherapy, surgeries, orthopedic.

Results

The results of the entity for the year ended 30th June, 2023 are set out on pages 1 to 31

Board of Management

The members of the Board who served during the year under review are shown on page VI to VII of this statement. During the year, Bernard Kimtai declined to renew his term following change of jobs location and Joseph Gatimu was appointed with effect from September 2022 date.

Auditors

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

By Order of the Board



.....
Name

Secretary to the Board

12. Statement of Board of Management's Responsibilities

Section 166 of the Public Finance Management Act, 2012 requires the Board of Management to prepare financial statements in respect of that county *entity*, which give a true and fair view of the state of affairs of the *entity* at the end of the financial year/period and the operating results of the *entity* for that year/period. The Board of Management is also required to ensure that the *entity* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *entity*. The council members are also responsible for safeguarding the assets of the *entity*.

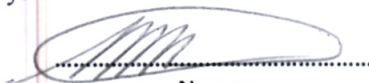
The Board of Management is responsible for the preparation and presentation of the *entity's* financial statements, which give a true and fair view of the state of affairs of the *entity* for and as at the end of the financial year (period) ended on June 30, 2023. This responsibility includes: (i) maintaining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

The Board of Management accepts responsibility for the *entity's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Nyeri County Health Services Fund Act 2021. The Board members are of the opinion that the *entity's* financial statements give a true and fair view of the state of *entity's* transactions during the financial year ended June 30, 2023, and of the *entity's* financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the *entity's* financial statements as well as the adequacy of the systems of internal financial control.

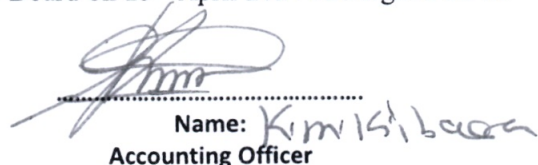
In preparing the financial statements, the Board Members have assessed the Hospital ability to continue as a going concern and Nothing has come to the attention of the Board of management to indicate that the *entity* will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Hospital's financial statements were approved by the Board on 25th April 2024 and signed on its behalf by:



Name:
Chairperson
Board of Management



Name: Kimisi Bana
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 KARATINA SUB-COUNTY LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2023 – COUNTY GOVERNMENT OF NYERI

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

Adverse Opinion

I have audited the accompanying financial statements of Karatina Sub-County Level 4 Hospital - County Government of Nyeri set out on pages 1 to 34, which comprise of the

statement of financial position as at 30 June, 2023, and the statement of financial performance, the statement of cash flows and the 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Karatina Sub-County Level 4 Hospital - County Government of Nyeri as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Health Act, 2017, the Nyeri County Health services Act, 2015, the County Governments Act, 2012 and Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Unbalanced Statement of Financial Position

The statement of financial position reflects total assets balance of Kshs.59,515,093 which differs with the total net assets and liabilities balance of Kshs.42,245,246 resulting to an unexplained variance of Kshs.17,269,847.

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

2. Unsupported Property, Plant and Equipment Balance

The statement of financial position and Note 20 to the financial statements reflects property, plant and equipment balance of Kshs.2,726,918 which , includes non-current assets that were acquired in the year under review. Property, plant and equipment and intangible assets balances acquired in the prior years were not disclosed in the financial statements despite the Hospital owning various assets of undetermined value which include land and buildings, specialized and non-specialized medical equipment, furniture and fittings, motor vehicles, ICT equipment and intangible assets. Further, the ownership documents for land were not provided for audit.

In addition, it was 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 addition, there was no evidence to show that the fund has ever evaluated its assets to ascertain the correct market values.

In the circumstances, the accuracy, completeness and ownership of the property, plant and equipment balance of Kshs.2,726,918 could not be confirmed.

3. Variances in Receivables from Exchange Transactions

The statement of financial position and Note 18 to the financial statements reflects receivables from exchange transactions balance of Kshs.34,439,764. Included in this balance is an amount of Kshs.33,781,800 being dues from National Health Insurance Fund (NHIF) whose records indicate a balance of Kshs.51,388,933 resulting to an unexplained variance of Kshs.16,949,169. Further, review of the ledgers provided, revealed that this balance has been outstanding for more than twelve (12) months while the contract between the Hospital and NHIF indicates the period to pay genuine claims is within 90 days of submission.

In the circumstances, the accuracy, completeness and recoverability of receivables from exchange transactions of Kshs.34,439,764 could not be confirmed.

4. Variances in Trade and Other Payables

The statement of financial position and Note 21 to the financial statements reflects trade and other payables balance of Kshs.15,242,711 . The balance includes an amount of Kshs.1,781,085 owed to Kenya Medical Supplies Authority (KEMSA) while KEMSA records reflected an amount of Kshs.2,341,984 resulting to an unexplained variance of Kshs.560,899.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.15,242,711 could not be confirmed.

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

The statement of financial performance and Note 12 to the financial statements reflects employee costs amounting to Kshs.4,798,214 for casuals and contractual staff. The Hospital received services from one hundred and thirty-five (135) 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 verification.

In the circumstances, the accuracy and completeness of employee costs amounting to Kshs.4,798,214 could not be confirmed.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, 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, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and effectively.

Basis for Conclusion

1. Deficiencies in Implementation of Universal Health Coverage (UHC)

Review of Hospital records and interviews on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits by thirteen (13) staff requirements or 50% of the authorized establishment.

Staff Requirements	Level 4 Hospital Standard	Number in Hospital	Variance	Percentage %
Medical Officers	16	8	8	50
Anesthesiologists	2	1	1	50
General Surgeons	2	1	1	50
Gynecologists	2	2	0	0
Pediatrics	2	1	1	50
Radiologists	2	0	2	100
Total	26	13	13	50

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

Service	Level 4 Hospital Standard	Actuals in the Hospital	Variance	Percentage %
Beds	150	216	-66	-44
Resuscitative (2 In Labor & 1 In Theatre)	2	3	-1	-50
New Born Unit Incubators	5	5	0	0
New Born Unit Cots	5	4	1	20
Functional ICU Beds	6	0	6	100

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

The deficiencies contravened 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 may not be able to deliver on its mandate.

2. Lack of Quarterly Revenue Reports

The statement of financial performance and Note 10 to the financial statements reflects Kshs.148,827,795 in relation to the rendering of services - medical income. However, the Hospital did not provide evidence to show that quarterly revenue reports were prepared and submitted to the County Treasury with a copy to the Auditor-General as per the requirement of Regulations 64. (1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer or receiver of revenue or collector of revenue to prepare a quarterly report not later than the 15th day after the end of the quarter.

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

3. Lack of Revenue Safeguards and Controls

The statement of financial performance and Note 10 to the financial statements reflects Kshs.148,827,795 in relation to the rendering of services - medical income. However, it was noted that there was no segregation of duties in revenue collection because the same person receives revenue, issues receipts and carries out the banking of revenue. This is contrary to Regulation 63. (1(a)) of the Public Finance Management (County Governments) Regulations, 2015 which states that an accounting officer and a receiver of revenue are personally responsible for ensuring that- (a) adequate safeguards exist and are applied for the prompt collection and proper accounting for, all county governments revenue and other public moneys relating to their county departments or agencies.

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

4. Failure to Dispose Unserviceable Assets

The statement of financial position reflects property, plant and equipment balance of Kshs.2,726,918. However, field verification revealed unserviceable assets that have not been disposed of and the same remain unutilized. This was contrary to the Public Procurement and Asset Disposal Act, 2015 Section 164(1) which states that the employee in charge of unserviceable, obsolescent, obsolete or surplus assets shall bring the matter to the attention of the Disposal Committee through the Head of the Procurement Function.

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, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Expired Drugs

The statement of financial position and Note 19 to the financial statements reflects inventory balance of Kshs.18,679,231. Review of pharmacy records revealed that drugs worth Kshs.965,367 had expired and were still being kept in the Hospital's stores. There was no explanation provided for failure to dispose the expired drugs.

In the circumstances, effectiveness of internal controls on management of drugs could not be confirmed.

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

Responsibilities of Management and the Board of Management

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in

an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and 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 controls 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 controls 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 control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of 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 control that are identified during the audit.

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

14 June, 2024

*Karatina Sub County Hospital (County Government of Nyeri)
Annual Report and Financial Statements for The Year Ended 30th June 2023*

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

Description	Note	FY 2022-23	FY 2021-22
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	6	11,000,000	19,000,000
In-kind contributions from the County Government	7	24,888,629	17,637,355
Grants from donors and development partners	8		2,142,800
Public contributions and donations	9	-	100,000
		35,888,629	38,880,155
Revenue from exchange transactions			
Rendering of services- Medical Service Income	10	148,827,795	86,328,093
Revenue from exchange transactions		148,827,795	86,328,093
Total revenue		184,716,424	125,208,228
Expenses			
Medical/Clinical costs	11	74,094,068	54,507,639
Employee costs	12	4,798,214	3,206,260
Board of Management Expenses	13	410,100	598,945
Repairs and maintenance	14	5,277,078	5,524,159
Grants and transfer	15	31,537,946	22,821,362
General expenses	16	42,515,588	37,630,758
Total expenses		158,632,994	124,289,123
Other gains/(losses)			
Total other gains/(losses)			
Net Surplus / (Deficit) for the year		26,083,430	919,105
		26,083,430	919,105

(The notes set out on pages 20 to 33 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 25th April 2024 and signed on its behalf by:



Chairman

Board of Management



Head of Finance

ICPAK No:
17559



Medical Superintendent

Karatina Sub County Hospital (County Government of Nyeri)
Annual Report and Financial Statements for The Year Ended 30th June 2023

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


Description	Note	FY 2022-23	FY 2021-22
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	17	3,669,180	1216189
Receivables from exchange transactions	18	34,439,764	20,853,583
Inventories	19	18,679,231	9,843,819
Total Current Assets		56,788,175	31,913,591
Non-current assets			
Property, plant, and equipment	20	2,726,918	-
Total Non-current Assets		2,726,918	-
Total assets		59,515,093	31,913,591
Liabilities			
Current liabilities			
Trade and other payables	21	15,242,711	10,029,450
Total Current Liabilities		15,242,711	10,029,450
Total Non-current liabilities		-	-
Total Liabilities		15,242,711	10,029,450
Net assets			
Accumulated surplus/Deficit		27,002,535	919,105
Total Net Assets and Liabilities		42,245,246	22,803,246

(The notes set out on pages 20 to 33 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 25th April 2024 and signed on its behalf by:


 Chairman
 Board of Management


 Head of Finance
 ICPAK No:
 17559


 Medical Superintendent

Karatina Sub County Hospital (County Government of Nyeri)
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

	Revaluation reserve	Accumulated surplus/Deficit	Capital	Total
			Fund	
As at July 1, 2021	0	0	0	0
Revaluation gain	0			
Surplus/(deficit) for the year	0	919,105	0	919,105
Capital/Development grants	0	0	0	0
As at June 30, 2022	0	919,105	0	919,105
			0	
At July 1, 2022	0	919,105	0	919,105
Revaluation gain	0	0		0
Surplus/(deficit) for the year	0	26,083,430	0	26,083,430
Capital/Development grants	0	0	0	0
At June 30, 2023	0	27,002,535	0	27,002,535

(Note:

- 1. For items that are not common in the financial statements, the entity should include a note on what they relate to – either on the face of the statement of changes in equity/net assets or among the notes to the financial statements.*
- 2. Prior year adjustments should have an elaborate note describing what the amounts relate to. In such instances, a restatement of the opening balances needs to be done.)*

The Hospital's financial statements were approved by the Board on 25th April 2024 and signed on its behalf by:



Chairman
Board of Management



Head of Finance
ICPAK No:
17259



Medical Superintendent

Karatina Sub County Hospital (County Government of Nyeri)
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17. Statement of Cash Flows for The Year Ended 30 June 2023.

Description		2022/23	2021/22
	Note	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government	6	11,000,000	19,000,000
Rendering of services- Medical Service Income	10	81,143,617	53,807,586
Total Receipts		92,143,617	72,807,586
Payments			
Medical/Clinical costs	11	41,293,586	35,418,483
Employee costs	12	4,798,214	-
Board of Management Expenses	13	410,100	587,000
Repairs and maintenance	14	5,175,578	4,749,795
General expenses	16	35,286,230	33,996,231
Total Payments		86,963,708	74,751,509
Net cash flows from operating activities		5,179,909	(1,943,923)
Cash flows from investing activities			
Purchase of property, plant, equipment, & intangible assets	20	-2,726,918	0
Net increase/(decrease) in cash and cash equivalents		2,452,991	(1,943,923)
Cash and cash equivalents at 1 July 2022		1,216,189	3,160,112
Cash and cash equivalents at 30 June 2023	17	3,669,180	1,216,189

The Hospital's financial statements were approved by the Board on 25th April 2024 and signed on its behalf by:



Chairman
Board of Management



Head of Finance
ICPAK No:
17557



Medical Superintendent

Karatina Sub County Hospital (County Government of Nyeri)
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Statement of Comparison of Budget and Actual Amounts for Year Ended 30th June 2023.

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	D	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Transfers from the County Government	16,824,648	(5,824,648)	11,000,000	11,000,000	-	100%
In kind contributions from the county government	24,888,629	-	24,888,629	24,888,629	-	100%
Rendering of services- Medical Service Income	139,863,600	(11,642,138)	128,221,462	148,827,795	20,606,333	116%
Total income	181,576,877	(17,466,786)	164,110,091	184,716,424	20,606,333	116%
Expenses						
Medical/Clinical costs	92,888,629	(12,184,805)	80,703,824	74,094,068	6,609,756	92%
Employee costs	4,828,248	-	4,828,248	4,798,214	30,034	99%
Remuneration of directors	600,000	100,000	700,000	410,100	289,900	59%
Repairs and maintenance	4,800,000	480,000	5,280,000	5,277,078	2,922	100%
Grants and subsidies	30,000,000	-	30,000,000	31,537,946	-1,537,946	105%
General expenses	48,460,000	(5,861,981)	42,598,019	42,515,588	82,431	100%
Total expenditure	181,576,877	(17,466,786)	164,110,091	158,632,994	5,477,097	97%
Surplus for the period	-	-	-	26,083,430	26,083,430	

The Hospital's financial statements were approved by the Board on 25th April 2024 and signed on its behalf by:



Chairman
Board of Management



Head of Finance
ICPAK No:
1755 1



Medical Superintendent

18. Notes to the Financial Statements

1. General Information

Karatina Sub County Hospital is established by Gazette Notice number CXII No 132 as a level IV hospital and derives its authority and accountability from County Government Act. The entity is wholly owned by the County Government of Nyeri and is domiciled in Nyeri – Mathira East Sub County. The entity's principal activity is provision of quality preventive, promotive, curative and rehabilitative 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. 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 Nyeri County Health Services Fund Act 2021, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

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

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

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Standard	Effective date and impact
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<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>
Other improvements to IPSAS	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • <i>IPSAS 29: Financial instruments: Recognition and Measurement</i> <p>Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>

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

Standard	Effective date and impact
IPSAS 43	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents</p>

Standard	Effective date and impact
	<p>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>
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p>Applicable 1st January 2025</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.

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.

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.

b. Budget information.

The original budget for FY 2022-23 was approved by the Board on subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the *entity* recorded additional appropriations of on the FY 2023 budget following the Board's approval. The *entity's* budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on an accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for

differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page xxx under section xxx of these financial statements.

c. Taxes

Sales tax/ Value Added Tax

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

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

d. Investment property

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

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

e. Property, plant and equipment

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

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.

h. Financial instruments

IPSAS 41 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements.

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.

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 amortised 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 cash flows 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

amortised 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 amortised 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.

Amortised 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 amortised cost. A gain or loss on an instrument that is subsequently measured at amortised 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.

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 amortised 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 amortised 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.

Financial liabilities

Classification

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

i. Inventories

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

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

Raw materials: purchase cost using the weighted average cost method.

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

After initial recognition, inventory is measured at the lower cost and net realisable 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 realisable 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 utilisation or consumption in the ordinary course of operations of the Entity.

j. Provisions

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

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

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

k. 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.

l. 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.

m. 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.

n. 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.

o. 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.

p. 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.

q. Borrowing costs

Borrowing costs are capitalised against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalised 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.

r. 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.

s. 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.

t. 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.

u. Comparative figures

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

v. **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.

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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.

6. Transfers from the County Government

Description	FY 2022-23	FY 2021-22
	KShs	KShs
Unconditional grants		
Operational grant	11,000,000	19,000,000
	11,000,000	19,000,000
Total government grants and subsidies	11,000,000	19,000,000

6 b Transfers from The County Government

Name of the Entity sending the grant	Amount recognized to Statement of financial performance * KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	Comparative Period
			KShs	KShs	KShs
County Government of Nyeri	11000000	0	0	11000000	19000000
Total	11000000	0	0	11000000	19000000

7. In Kind Contributions from The County Government

Description	2022/23	2021/22
	KShs	KShs
Salaries and wages	-	3,206,360
Pharmaceutical and Non-Pharmaceutical Supplies	24,429,806	14,430,975
Dental items	115,400	
Laboratory reagents	343,423	
Total grants in kind	24,888,629	17,637,335

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8. Grants From Donors and Development Partners

Description	2022/23	2021/22
	KShs	KShs
Chuka University USAID HIS project	-	2,142,800
Other grants (<i>specify</i>)	-	-
Total grants from development partners	-	2,142,800

9. Public Contributions and Donations.

Description	2022/23	2021/22
	KShs	KShs
Public donations board members	0	100,000
Other donations(<i>specify</i>)	0	-
Total donations and sponsorships	0	100,000

10. Rendering of Services-Medical Service Income

Description	2022/23	2021/22
	KShs	KShs
Pharmacy	10,445,823	9,930,258
Xray	3,877,570	3,140,300
Laboratory	4,956,624	5,808,727
Mortuary	3,084,466	2,401,400
Maternity	227,951	274,760
Inpatient	15,593,243	14,118,647
Specialise Clinics	1,290,282	-
Outpatient	713,446	873,400
Theatre	1,479,987	1,266,066
Orthopedic	89,428	14,500
E.N.T	210,225	41,140
Ortho trauma	706,449	463,840
Others	291,555	210,950
Medical records	6,949,126	5,114,000
Occupational therapy	574,848	507,900
Transport- Ambulance	436,815	316,000
Medical exams	945,427	329,500
MCH	91,725	106,420
Physiotherapy	250,526	217,300
Eye	270,836	30,000
Dental	795,813	669,578

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Description	2022/23	2021/22
	KShs	KShs
Medical Certificate	-	-
Waste Disposal	-	-
Hotel Rent	0	-
PostNatal	0	-
Britam	423906	624,302
NHIF	86408330	37,701,201
Minet	358600	
CBHIF	239750	
Exemptions	5,737,004	5,147,015
Waiver	2,378,041	2,167,904
	148,827,795	86,328,093

The income from rendering services include sales revenue from cash paying clients and insurance clients, exemptions and waivers are accounted for though not realized as herein tabulated: -

REVENUE STREAM	2022/23	2021/22
	Kshs	Kshs
CASH/ Mpesa	53,282,164	40,687,670
NHIF	86,408,330	37,701,201
EXEMPTIONS	5,737,004	5,147,015
WAIVERS	2,378,041	2,167,904
BRITAM	423,906	624,302
MINET	358,600	0
CBHIF	239,750	0
Total	148,827,795	86,328,093

11. Medical/ Clinical Costs

Description	FY 2022-23	FY 2021-22
	Kshs	Kshs
Medical drugs- Emergency drugs	40,721,268	12,366,494
Laboratory chemicals and reagents	3,936,710	3,407,327
Purchase of medical and dental materials	150,454	549,985
Food and Ration	17,260,225	15,406,770
Purchase of Uniform, clothing - Patients	136,050	670,058
Purchase of Bedding and Linen	635,250	
Dressing and Non-Pharmaceuticals	9,296,965	18,465,485
Specialised material	1,049,183	1,730,143
Purchase of milk for the kids	125,098	296,409

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Purchase of Medical gases	290,365	846,500
X-Ray/Radiology supplies	492,500	768,468
Total medical/ clinical	74,094,068	54,507,639

Total Medical/clinical cost includes costs Cash Kshs 41,293,586 accrued Debt Kshs 7,911,853 and Donation in kind Kshs 24,888,629)

12. Employee Costs

Description	FY 2022-23	FY 2021-22
	Kshs	Kshs
Casuals Salaries, wages, and allowances	4,798,214	3,206,260
Employee costs	4,798,214	3,206,260

13. Board of Management Expenses

Description	FY 2022-23	FY 2021-22
	Kshs	Kshs
Sitting allowance	238,000	598,945
Mileage	114,000	-
Lunch expenses	58,100	-
Total	410,100	598,945

14. Repairs and Maintenance

Description	FY 2022-23	FY 2021-22
	Kshs	Kshs
Maintenance of Buildings and Stations -- Non-Residential	1,995,530.95	923,440
Maintenance of Medical and Dental Equipment	1,370,815.20	1,575,032
Maintenance of plant machinery and equipment	868,000	1,843,450
Maintenance of furniture and fittings	207,700	-
Repairs of Computers	-	295,351
Motor vehicle expenses	769,031.37	886,886
Maintenance of civil works	66,000	-
Total repairs and maintenance	5,277,078	5,524,159

Total repairs and maintenance includes cash payment of Kshs 5,175,578 and accrued Debts Kshs 101,500)

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15. Grants and Subsidies

Description	FY 2022-23	FY 2021- 22
	Kshs	Kshs
Exemptions	5,737,004	5,147,015
Waivers	2,378,041	2,167,904
20% Donation to rural facilities	20,913,305	13,845,039
3% administration costs	2,509,596	1,661,404
Total grants and subsidies	31,537,947	22,821,362

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16. General Expenses

Description	2022/23	2021/22
	KShs	KShs
Purchase of lighting equipment	283,895	416,750
Catering expenses	514,216	425,320
Purchase of ICT networking and communication equipment	1,942,900	312,500
Courier services	0	14,560
Purchase of computer	0	497,500
Bank charges	42,867	63,827
Purchase of exchange and other communication equipment	206,750	65,900
Purchase of workshop tools	-	523,775
Purchase of household	182,730	445,981
Purchase of office furniture	65,500	69,430
Purchase of software	280,000	-
Electricity expenses	8,375,793	6,132,286
Fuel and Lubricants	2,100,000	1,650,000
Other fuel	2,872,399	2,709,600
Fungicides	-	59,475
Contracted guards and cleaning services	10,689,010	12,241,680
Travel and accommodation allowance	2,629,550	1,249,650
Daily subsistence allowance	1,040,230	1,299,145
Travel allowance	1,330,800	592,023
Printing and stationery	3,943,724	3,055,000
General office supplies	1,028,162	1,493,728
Supplies and accessories for computer	501,530	524,765
Water and sewerage costs	3,744,952	2,882,851
Membership fees and subscriptions	-	100,000
Sanitary and cleaning materials	344,550	515,040
Telephone and mobile phone services	396,030	289,972
Total General Expenses	42,515,588	37,630,758

Total general expenses includes cash of Ksh 35,286,230 and accrued debts of Ksh 7,229,358

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17. Cash and Cash Equivalents

Description	FY 2022-23	FY 2021-22
	KShs	KShs
Current accounts	3,669,180	1,216,189
Cash in hand	0	-
Total cash and cash equivalents	3,669,180	1,216,189

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

Description		2022/23	2021/22
Financial institution	Account number	KShs	KShs
1. Current account			
Kenya Commercial bank	1175367230	3,669,180	1,216,189
Sub- total		3,669,180	1,216,189
cash in hand		-	-
Sub- total		3,669,180	1,216,189
Grand total		3,669,180	1,216,189

18. Receivables from Exchange Transactions

Description	FY 2022-23	FY 2021-22
	KShs	KShs
Medical services receivables NHIF Normal rebates	33,781,800	20,853,583
Britam	196162	-
Minet	358600	-
CBHIF	103202	-
Total receivables	34,439,764	20,853,583

19. Inventories.

Description	2022/23	2021/22
	KShs	KShs
Pharmaceutical supplies	8,393,831	7,385,438
Non pharmaceutical	6,549,888	
Laboratory	1,307,254	
Maintenance supplies	584,667	627,957
Food supplies	63,340	194,005
Xray materials	118,750	-
Cleaning materials supplies	211,630	-
General supplies	754,945	1,636,419
Dental items	197,426	-
Publishing and printing	497,500	
Total	18,679,231	9,843,819

Total inventory includes items of stock nature procured in the financial year in store as of 30th June

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2023, they include any item that was received prior whose value could not be ascertained and item of capital nature as attached in the annex

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Notes to the Financial Statements (Continued)

20. Investment Property, Plant and Equipment

Description	Plant and medical equipment	Total
	Ksh	Ksh
Depreciation		
Disposals		
Impairment		
Transfer/adjustment	0	0
At 30th June 2023	2,726,918	2,726,918
Net book values		
At 30 th Jun 2021	0	0
At 30 th Jun 2023	2,726,918	2,726,918

N/B

The hospital has only provided for property plant and equipment procured in the current financial year totaling Ksh 2,726,918 as tabulated. At the audit period the hospital had not finalized on valuation of property plant and equipment (PPE) and transfer on ownership to hospital ownership a list of the PPE is attached.

The items were purchased toward the end the financial year hence no depreciation

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List of Equipment procured in financial year 2022-2023

a) Laryngoscope	Kshs 50,000
b) Ent instruments	Kshs 41,088
c) Desk top Computer	Kshs 100,000
d) Ophthalmoscope patient stretcher	Kshs 805,000
e) Nebulizer electrosurgical generator	Kshs 560,000
f) 20 Room heaters	Kshs 196,880
g) 30 Adult skin traction kits	Kshs 53,950
h) Light duty printer	Kshs 50,000
i) Hand Xray Sensor	Kshs 300,000
j) Lensometer and stretcher	Kshs 400,000
k) Ent headlight	Kshs 170,000
Total	Kshs 2,726,918

21. Trade and other Payables

Description	FY 2022-23		FY 2021-22	
	KShs		KShs	
Trade payables	15,242,711		10,029,450	
Total trade and other payables	15,242,711		10,029,450	
Ageing analysis:	FY 2022-23	% of the Total	FY 2021-22	% of the total
Under one year	15,242,711	%	10,029,450	%
Total	15,242,711	%	10,029,450	%

22. 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

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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:

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 recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has significant concentration of credit risk on amounts due from xxxx. The board of management sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(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

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manage and control market risk exposures within acceptable parameters, while optimizing 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.

23. 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.

Nyeri County Government is the principal shareholder of the *Karatina District Hospital* 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 County Government;
- ii) Board of Directors;
- iii) Key Management

Description	FY 2022-23	FY 2021-22
	Kshs	Kshs
Transactions with related parties		
a) Grants from the Government		
Grants from County Government	11,000,000	19,000,000
Total	11,000,000	19,000,000
Total	11,000,000	19,000,000

24. Events after the Reporting Period

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

25. Ultimate and Holding Entity

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

26. Currency

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

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27. Appendices

Appendix 1: Progress on Follow Up of Auditor Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Service Delivery	Karatina Sub County Hospital offers revealed that the Hospital does not offer some of the services accredited to a Level 4 hospital	The management ensures highest standard of health to patients seeking these services by timely referring them to County Government Health facility (County Referral Hospital - Nyeri PGH) that the County has designated as the referral facility and equipped it to offer those specialised services	Not resolved	County Health Department Function
Failure to Employ IT Expert	Audit examination revealed that the Hospital relies on a casual employee who has been managing the system since July 2021 and has no single permanent employee in the IT department.	The hospital relies on County Department ICT domicile at County Headquarter for any major ICT needs, however the officers are inadequate necessitating the hospital to hire a casual to support minor troubleshooting occurrences who is supervised by the ICT department.	Not resolved	County public service Board Function
Lack of a Risk Management Policy	Karatina Sub County Hospital does not have a risk management policy in place	The Hospital has not developed a Risk management policy for purpose of assessing and mitigating risk. The hospital commits to develop a policy for adoption by the Hospital Board,	Not resolved	June 2024

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Lack of Internal Audit Function	Karatina Sub County Hospital has not established an internal audit department and no internal audit reviews were carried out.	During the period under review the Internal Audit Department had been carried out an audit in the Month of April 2022 and a further audit in the month of February 2023. The management letter for both internal audits were shared with facility and responded to.	Not resolved	County public service Board Function

Guidance Notes:

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



Accounting Officer

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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. Comprehensive Care Centre		Liverpool Dhibiti program	5	N/A	Yes	NO
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							

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

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Appendix V: Disaster Expenditure Reporting Template

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