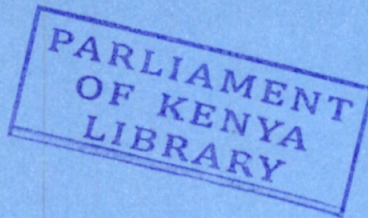


REPUBLIC OF KENYA



Enhancing Accountability

REPORT



OF

THE AUDITOR-GENERAL

ON

NYANGENA SUB-COUNTY LEVEL 4 HOSPITAL

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

COUNTY GOVERNMENT OF NYAMIRA



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY
01 JUL 2024
RECEIVED

**NYANGENA LEVEL 4 HOSPITAL
(County Government of Nyamira)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2023

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

DATE	18/09/24
TABLED BY	M. Leader
COMMITTEE	—
CLERK ATTENDING	Angela
PAPERS LAID	

Table of Contents

1. Acronyms & Glossary of Terms.....	ii
2. Key Hospital Information and Management.....	iii
3. The Board of Management.....	vi
4. Management Team.....	x
5. Chairperson’s Statement.....	xi
6. Report of the Medical Superintendent Statement.....	xiii
7. Statement Of Performance Against Predetermined Objectives.....	xiv
8. Corporate Governance Statement.....	xvi
9. Management Discussion and Analysis.....	xvii
10. Environmental And Sustainability Reporting.....	xx
11. Report of The Board of Management.....	xxii
12. Statement of Board of Management’s Responsibilities.....	xxiii
13. Report of the Independent Auditor (OFFICE OF AUDITOR GENERAL).....	xxiv
14. Statement of Financial Performance for The Year Ended 30 June 2023.....	1
15. Statement of Financial Position as of 30 th June 2023.....	2
16. Statement of Changes in Net Asset for The Year Ended 30 June 2023.....	3
17. Statement of Cash Flows for The Year Ended 30 June 2023.....	4
18. Statement Of Comparison of Budget and Actual Amounts For The Year Ended 30 June 2023.....	5
19. Notes to the Financial statements.....	7
20. Appendices.....	33

1. Acronyms & Glossary of Terms

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

2. Key Hospital Information and Management

a) Background information

Nyangena Level 4 Hospital is a ministry of Health medical care hospital located in Kemera, Manga Sub County in Nyamira County under the Health department. The facility is a fully operational with a capacity of 18 beds. The hospital serves a population of about 10,000 people in the Sub County and its environs. It is established under gazette notice No 786 of Kenya.

b) Principal Activities

The principal activity/mission/ mandate of the hospital is to ...

Provide quality, affordable and accessible health care services to the community. The hospital mission is to be a centre of excellence in providing health care services within and the entire region. The mission of the hospital is also promoting health through preventive, diagnosis, treatment and rehabilitation of patients by doing the following:

- Control of infection, prevention of diseases
- Medical outpatient curative services like clinics
- Integrated child immunization
- Strengthen health system and infrastructure

c) Key Management

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

- County department of health –the department is the one in charge of the hospital through planning, budgeting, monitoring and evaluation of health services. It provides technical support, supervision and guidance
- Board of Management –is the governing body of the hospital which is responsible of setting policies, goals, strategies and objectives for the hospital also ensures accountability, transparency and good governance
- Accounting Officer/ Medical Superintendent –is the head of hospital responsible for planning and coordination of hospital activities. Also oversees the clinical, financial and human resource activities.
- Management –it consists head of departments who are responsible for planning, organising, controlling the functions done at their various departments.
- Others (specify) –the hospital also has other key staffs such as: Doctors, Clinical officers, Nurses, Human resource officers, supply chain officers, Haos, Radiographers, Nutritionist, Social workers etc.

d) Fiduciary Management

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

No.	Designation	Name
1.	Medical Superintendent	MR. PAUL OBURE-
2.	Accounting officer(department of health)	MR. ANDREW ONGERE
3.	Head of Accounting services	CPA PURITYNYAMBOGA
4.	Head of supply chain	MS. PERIS NYAKERARIO
5.	Director audit	CPA ANN NYANCHAMA
6.	Health administrative officer	MR. KENNEDY MOKUA
7.	Treasury Accountant	MR. PETER KIRIOBA
8.	Nursing officer in charge	MR. LUCAS AMISI

e) Fiduciary Oversight Arrangements

- Clinical Research and Standards Committee-It is responsible in overseeing the quality and standards of clinical research in the health sector are practised, the committee also ensure compliance with national and international guidelines on clinical search and standards.
- Audit committee –it oversees the financial management and accountability by approving financial budget, audit reports and internal control systems of institutions it also ensures compliance with PFM act 2012 and public audit act 2015,PPD act 2005 and other relevant laws.
- Risk Committee-it oversees the identification, assessment, mitigation and monitoring of risks in health. It is responsible in implementing policies, strategies, plans for the healthinstitution in terms of risks
- County Assembly -it is arm of the county government that oversees expenditures, enacting county laws, approving county plans and budgets and holding county executive accountable.
- Parliamentary committees-they are national assembly committees that oversees the national functions of health sector. National expenditure, revenue, budgets and approvals are authorised by search committees.
- Other oversight committees-these are committees established by national assembly dealing with matters relating to health policy.

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

a) Nyangena Level 4 hospital Headquarters

P.O. Box 3-40500 NYAMIRA, KENYA.

b) Nyangena Level 4 hospital

Contacts Telephone: (+254) 0758946647/0732793883

c) Nyangena Level 4 hospital Bankers

Kenya Commercial Bank

Kisii Branch - 1152615718

d) Independent Auditors

Auditor General

Office of Auditor General

Anniversary Towers, Institute Way

P.O. Box 30084

GPO 00100 Nairobi, Kenya

e) Principal legal adviser

The Attorney General

Harambee Avenue

P.O Box 40112

City Square 00200

Nairobi, Kenya

f) County Attorney



The County Attorney

County Government of Nyamira

P.O Box 434-40500

Nyamira Kenya.

3. The Board of Management

Directors	Details
 <p>CPA.EMILY MORAA ONGAGA Executive Committee Member .Finance ICT and Economic Planning.</p>	<p>Academic Qualifications Mrs Emily Moraa Ongaga holds a Master of Business Administration (Finance) degree from Egerton University and a Bachelor of Arts (Economics & Sociology) degree from the University of Nairobi.</p> <p>Professional Experience Prior to her appointment, she served as the Director Corporate Services in the National Commission for Science, Technology and Innovation. She is a member of the Institute of Certified Public Accountants of Kenya (ICPAK). She has a wealth of experience from various institutions spanning twenty one years.</p>
 <p>Dr. Timothy Mokuia Ombati Executive Committee Member For Health Services.</p>	<p>Academic Qualifications He is a medical practitioner having studied Bachelor's Degree in Medicine and surgery from Kampala International University, Masters in Health Systems Management from Kenya Methodist University and on-going with Masters in public health at Kisii University.</p> <p>Professional Experience: Worked as a general practitioner in various Hospitals within Nyamira County and rose to Medical Superintendent and also offered voluntary services to UNHCR at Hagadera sololo mission hospital and Ethiopia's Oromia state</p>



DR. CHARLES MOMANYI
CHAIRPERSON,
HOSPITAL MANAGEMENT BOARD

Academic Qualification

He is a PHD holder currently works as a lecturer at Kisii University, Board Chairman in the Hospital.





PAUL OBURE MEDSUPT-NYANGENA
SUB-COUNTY HOSPITAL
Secretary, Hospital Management Board.

He is the secretary to the board and chairperson to the HMT. He is a senior clinical officer who has worked over 20yrs to date.

Board Members	Details
 <p>Mr. Peter Mokaya Board Member</p>	<p>Academic Qualifications Bachelors of commerce graduate from Kisii University</p> <p>Work Experience Chairperson St. Paul Managa Orotuba Secondary School and Current Bursar at St. Michael Girls Mosocho</p>
 <p>Mr. Samuel Atuti Board Member</p>	<p>Academic Qualifications A retired P1 teacher</p> <p>Work Experience Chairperson Board Kianungu Secondary School and former Chairperson Health Committee Kianungu Dispensary</p>
 <p>Mr. Tom Ogita Board Member</p>	<p>Academic Qualifications Bachelors Degree in Agri-business management</p> <p>Work Experience Kemera Ward administrative officer</p>

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

 <p>Mr. Richard Mankone Board Member</p>	<p>Academic Qualifications O level</p> <p>Work Experience Member of Nyangena Business community</p>
 <p>Mrs. Rucibella Kwamboka Board Member</p>	<p>Academic Qualifications Community Health Nurse</p> <p>Work Experience A retired nurse and a former employee of Tabaka Mission Hospital as a nurse</p>

4. Management Team

Ref	Management	Details
1.	Mr. Paul Obure	Medical superintendent
2.	Mr. Kennedy Moa	Health Administrative Officer
3.	Mr. Lucas Amisi	Nursing Officer In charge
4.	Mr. Enock Obungu	Laboratory In charge
5.	Ms. Gladys Matoke	Health Records In charge
6.	Fridah Mokogi	Medical social worker
7.	Noah Ogari	Pharmacy in charge

5. Chairperson's Statement

Nyangena level 4 Hospital is main mandate is to provide basic health care services to the community. The year 2023 had its challenges and achievements for the hospitals to start with achievements:

- I. The hospital was funded by world bank for renovations which was done i.e. Administration block, Opd, Wards (Male and Female), Kitchen, pharmacy, Laboratory.
- II. The hospital boosted its human resource capacity, with the county posting new staffs including nurses, clinical officers, pharm techs the hospital offered trainings and development opportunities for its staffs, search as in service trainings for specializations.
- III. The hospital enhanced its service delivery and patients satisfaction, with the adaption of a customer care desk and feedback mechanism, it also improved its waiting times and referral system.
- IV. The HMB and hospital management realized great achievement in terms of revenue generation which has grown compared to previous years due to FIF introduction through the county assembly ACT.
- V. The hospital boosted its partnership with various stakeholders such as: World Bank where by the hospital was supported in terms of infrastructure and also donors who gave medical equipment's.

The hospital on the other hand encountered some challenges during the year as follows:

- i. The hospital faced financial constrains due to non-disbursement of funds from the county government and increase operational costs therefore the hospital had to implement some cost cutting measures like: rationalization of casual workers in order to optimize resource utilization.
- ii. The hospital also faced the challenge of lack of specialization in different cadres.

The hospital going into the future has a clear vision and determination to achieve its goals and objectives. Some of the plans for next year include:

- The hospital will strengthen its partnership and collaboration by maintaining good relations, identifying, engaging and consultation with existing and new partners in pursuing mutual benefit on behalf of the community which it's serving.
- The hospital is planning in the future to continue with providing human resource trainings in different disciplines and giving good incentives, team work, good working environment for retaining those staffs after they are through with their studies.
- The hospital will expand its catchment area through establishing clinics, mobilizing community health promoters and enhancing its outreaches services in order to reach the community and serve them well.

In conclusion I will like to appreciate our stakeholders for their continue support and cooperation also extend the same to fellow board members and staff at large. Together we can make Nyangena a centre of excellence in health care provision within the region.

Dr. Charles Momanyi



Chairman

Board of Management

6. Report of the Medical Superintendent Statement

Am here today to share with you a report of Nyangena Sub County Hospital for the year 2023. The report has highlighted the achievements, challenges and plans of the hospital in providing affordable, quality and accessible health care services to the community.

In the year 2023 the hospital was privileged to have a partner to support it in terms of infrastructure improvement i.e. Administration Block, Maternity wing, Wards, Fence. This investment enhanced our capacity and capability to deliver a wide range of services to the community.

The hospital increased its service delivery and patient's satisfaction through the establishment of customer care and feedback mechanism system.

The year 2022/2023 the county assembly of Nyamira passed an Act of facility improvement fund which has boosted the revenue collection within the facility hence enabled the hospital to be able to do expenditure as per the hospital needs.

During the year the hospital faced equally some difficulties as follows:

- Due to introduction of FIF the hospital on the other hand experienced finance constraints due to unavailability by the county government in supporting other areas like: Human Resource (casual workers)

In the future the hospital has a clear vision and determined to achieve its goals and achievements. The plans are:

- Will increase its catchment area through engaging community health promoters, increase outreach and mobilization of the community in order for them to benefit.
- The hospital intends to have in place technological infrastructure in order to enable the hospital and the community to be able to access information easily.
- The hospital will develop its leadership and governance by strengthening its management structure and processes in enhancing its accountability and transparency fostering a culture of team work and collaboration.

The hospital is greatful for the support it has received from stakeholders and staffs in general in achieving its mission and vision. In the coming year we intend to serve the community better and propel the hospital into higher levels.

Mr. Paul Obure



Medical superintendent.

7. Statement Of Performance Against Predetermined Objectives

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

Nyangena level 4 Hospital has 4 operational plan/ themes/issues and objectives within the current Strategic Plan for the year 2022/ 2023. These strategic pillars/ themes/ issues are as follows;

Pillar /theme/issue 1: clinical Service Delivery

Pillar/theme/issue 2: Healthcare Financing

Pillar /theme/issue 3: Governance

Pillar /theme/issue 4: Human Resource Development

Nyangena sub county hospital develops its annual work plans based on the above 4 pillars/Themes/Issues. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The hospital achieved its performance targets set for the year 2022/2023 period for its 3strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Clinical services Delivery	To enhance good clinical governance Strengthen emergency preparedness	<ul style="list-style-type: none"> • Update SOPs • No of prescription reviewed • Training reports 	Monthly clinical audits Provision of health productsTrain staffs on emergency	Reduction in morbidity and mortality Staff trained.
Health care Financing	Facilitate prudent finance management.	<ul style="list-style-type: none"> • Financial reports • Increase resource allocation 	Provide E and M payments Use of laid down policies	M payment in place Procurement guidelines.
Governance	Policy formulation and implementation	<ul style="list-style-type: none"> • No of meetings • Hospital performance 	Staff meetings Strategic plan implementation	Quarterly meetings sat.

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

Human Resource	Improved performance	<ul style="list-style-type: none">• Human resource reports	Established department	Functional department
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8. Corporate Governance Statement

Nyangena level 4 Hospital Board of management is committed to upholding its ethical conduct in its operations and service delivery. The hospital recognises the good governance is key in achieving its mission and vision and enhancing performance and legitimacy.

The hospital is governed by Board of directors who are appointed by the county government executive committee member of Health in accordance with Health Act 2017 whereby the medical superintendent is the secretary to the board.

The board of members have diverse back grounds, skills and experience in health, management, finance, and law and community development.

The board is responsible in policy formulation giving strategic direction, oversight and it delegates day to day running of the hospital to the medical superintendent who is accountable to the board.

The board operates under a charter which outlines its roles, functions and composition of the structure which defines the relationship between the board and the management, staffs and stakeholders of the hospital.

The board meets quarterly with other additional meetings when necessary once they meet they evaluate or conduct self-assessment on its performance and identify areas of improvement.

The board has established four committee to assist it in his duties and responsibility as follows:

- i. The audit and risk committee which oversees the financial management, internal control, and audit functions of the hospital.
- ii. Human resource committee that oversees the policies, practices of HR in the hospital
- iii. Quality assurance committee oversees quality care, safety and satisfaction of patients.
- iv. Ethics and governance ensure ethical conduct, governance practices and stakeholders relations of the hospital.

The board adhere to accord of ethics and conduct which sets out the principals and values that guides in decision making.it receives remunerations for its services as determined by the county government in consultation with SRC which is spelt out in the annual financial report.

9. Management Discussion and Analysis

The management of the hospital has restructured system in coordination of roles and responsibilities to avoid duplication of roles for clear accountability and enhanced team work.it also allows organization to resource and sustain essential skills and expertise in an institution.

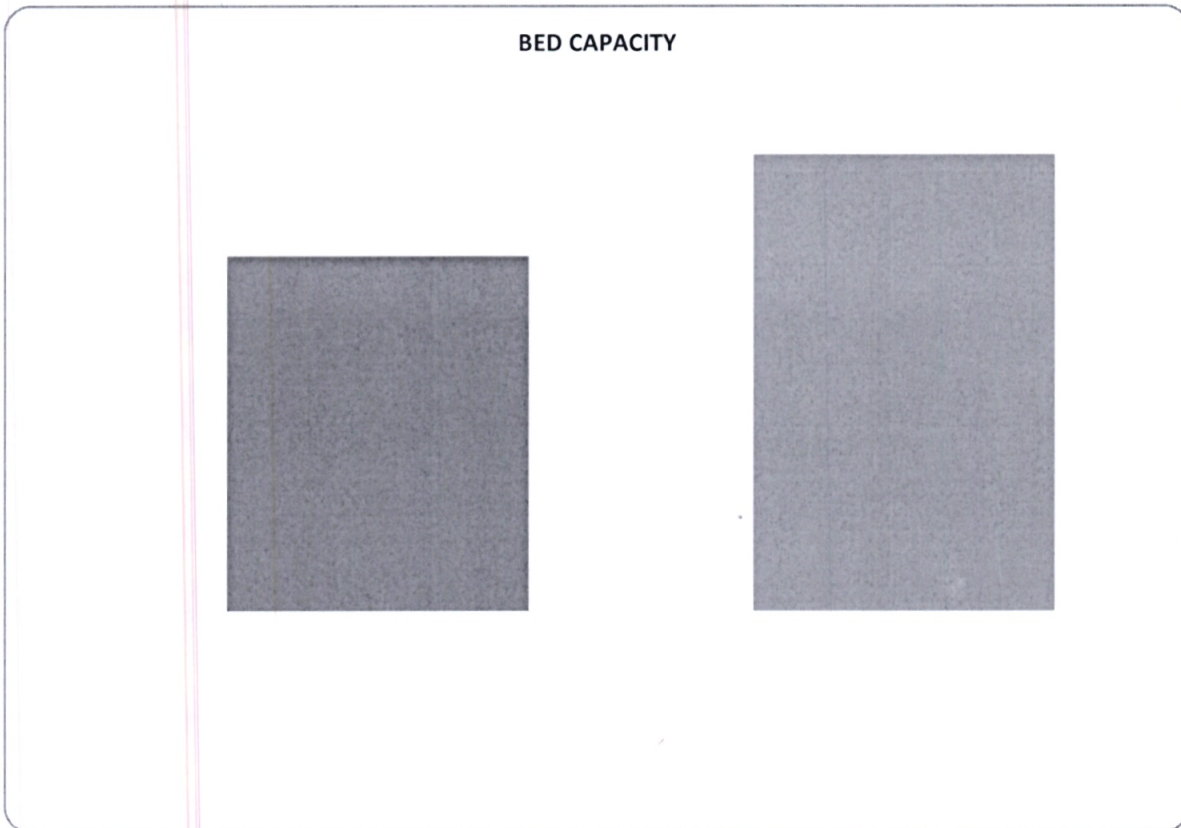
The overall responsibility of the board accordance with the policy of County Government, the day to day management of the hospital is vested on the medical superintendent.

The medical superintendent will be assisted in performing the functions of his or her position by the hospitalmanagement team; the HMT is made up of heads of departments which defines their roles.

Clinical/operational performance

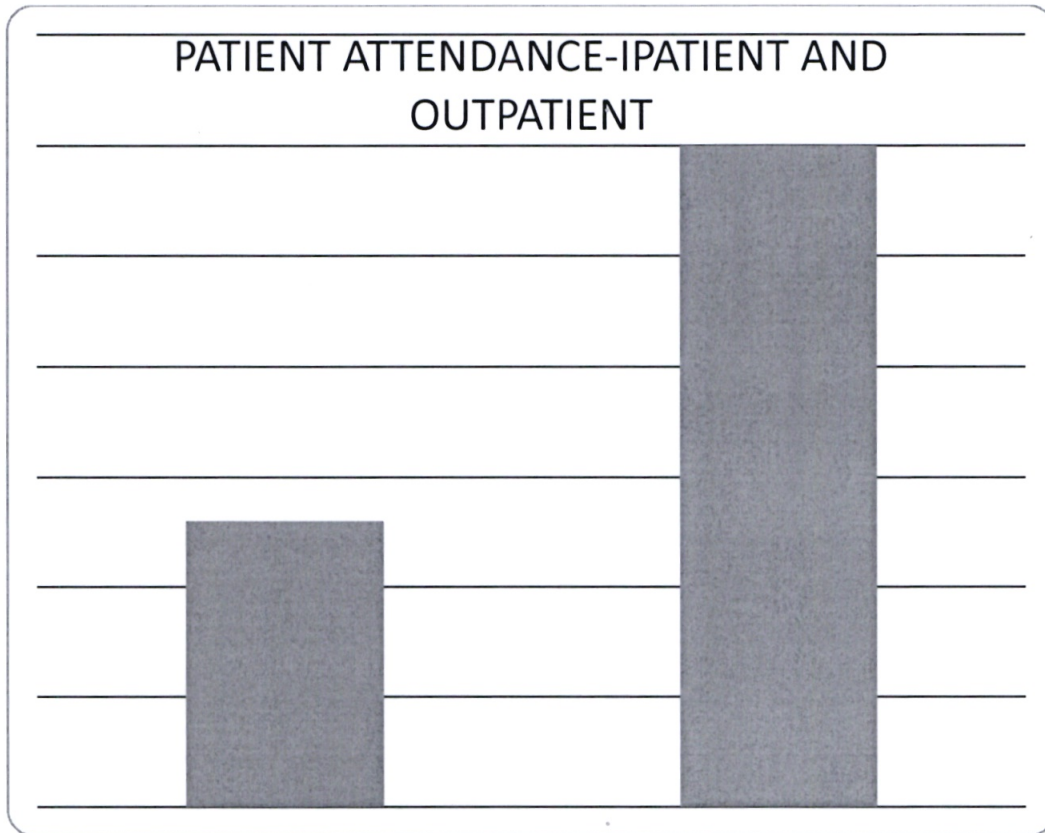
Bed capacity of the hospital.

The hospital maintained a bed capacity of 18 for both the financial years 2021/22 and 2022/23



Overall patient attendance

The facility had a patient attendance of 14600 during the year FY 2022/2023 for both inpatient and outpatient noticing an improvement from 13730 during the FY 2021/2022

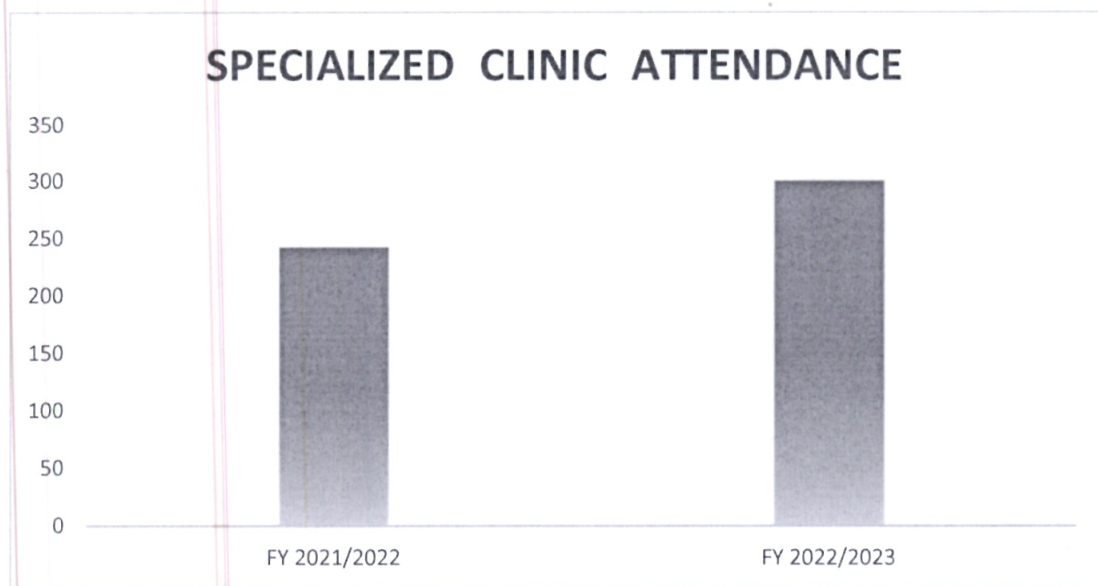


Nyangena Level 4 Hospital (County Government of Nyamira)
Annual Report and Financial Statements for The Year Ended 30th June 2023

Accident and Emergency attendance-130 patients

Specialised clinic attendance

The facility noticed an improvement in terms of specialized clinic attendance in the FY 2022/2023 of 300 patients from 242 in the Financial year 2021/2022.



- Average length of stay for in patients- 5 days
- Bed occupancy rate-72%
- Mortality rate-11%
- Surgical theatre utilisation (number of operations over a period of time)-Nil no theatre
- Sponsorships and partnerships-40%

Financial performance that includes

- Revenue sources, -FY 2022/2023 -55%
- Utilisation of funds etc.-80%

10. Environmental And Sustainability Reporting

Nyangena Level 4 Hospital exists to transform lives. It's what guides us to deliver our strategy, putting the client/Citizen first, delivering health services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

Sustainability strategy and profile

The sustainability strategy is guided by its vision, mission and values as well as the national and county health policies and plans. It has also conducted a basic assessment of available options for financing to ensure the hospital of its long-term sustainability.

Environmental performance

The hospital has an environmental policy that guides its operations as regard to environment. The policy states that:

- i. Continuous monitoring, improving and evaluating its environmental performance.
- ii. Promotes environmental awareness and education among its staffs, patients and stakeholders.
- iii. The hospital conducts environmental audit in collaboration with NEMA to assess hospital's compliance with rules and regulations in order to improve certain areas where need is seen.
- iv. The hospital has waste treatment equipment that helps us to treat our waste.
- v. The hospital has bins at all generation points in the department.
- vi. The general cleanliness of the hospital is conducted regularly.

Challenges

- Breakdown of equipment
- High bills of electricity from the usage of equipment's.
- Lack of recycling or reuse program that will reduce waste generation and save costs.
- Lack of comprehensive waste management policy or system that will ensure proper segregation, collection, transportation, treatment and disposal of waste.
- Delay of funds disbursement

The hospital is committed in improving its environmental performance by implementing the following actions:

- The hospital will develop a policy and guidelines on how to segregate, collect, transport, treat and dispose waste.

- It will conduct an energy audit that will measure the energy consumption and costs of the hospital operations and products.

Employee welfare

The hospital values its employees by providing conducive environment of working with following policies and practices that guides its employees welfare as follows:

- Provides trainings and opportunities to its staffs.
- Through performance management system the hospital is able identify areas of weakness and support individuals in order to get better results.

Market place practices-

a) Responsible competition practice.

This is done through proper use of the available county website for advertisement purposes as well as making good use of the instituted internal committees to help minimize corruption.

b) Responsible Supply chain and supplier relations

The institution ensures best involvement of suppliers in the tendering process and feedback given to the suppliers in good time as well as prompt payment for the goods and services rendered.

c) Responsible marketing and advertisement

It emphasises the use of media and journals to advertise its services and products.

d) Product stewardship

The hospital strives to adhere to best market practises in rendering its services in accordance with standards to ensure safety to its customers.

Corporate Social Responsibility / Community Engagements

The initiatives are aimed at improving lives and enhanced engagement with the public.

The hospital participates in community engagements search as mentoring, volunteering, sponsoring and advocating.

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 Nyangena Level 4 hospital is provision of healthcare services to the general public

Results

The results of the Hospital for the year ended June 30 ,2023 are set out on page 1-5

Board Of Management

The members of the Board who served during the year are shown on page vi-ix
During the year the 7 board members were appointed.

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 were nominated by the Auditor General to carry out the audit of the hospital for the year/period ended June 30, 2023 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board



Dr. Charles Momanyi
Chairman
Board Of Management

12. Statement of Board of Management's Responsibilities

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


The Board of Management is responsible for the preparation and presentation of the hospital's financial statements, which give a true and fair view of the state of affairs of the hospital for and as at the end of the financial year (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 hospital, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the hospital; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.


The Board of Management accepts responsibility for the hospital'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. The Board members are of the opinion that the hospital's financial statements give a true and fair view of the state of hospital's transactions during the financial year ended June 30, 2023, and of the hospital's financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the hospital, which have been relied upon in the preparation of the hospital's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Hospital's financial statements were approved by the Board on 29th September 2023 and signed on its behalf by:


.....
Dr. Charles Momanyi
Chairperson
Board of Management


.....
Mr. Paul Obure
Medical Superintendent

REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NYANGENA SUB-COUNTY LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2023 – COUNTY GOVERNMENT OF NYAMIRA

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 that the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management, and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient, and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

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

the statement of financial position as at 30 June, 2023, statement of financial performance, statement of changes in net assets, 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, I confirm that the financial statements present fairly, in all material respects, the financial position of the Nyangena Sub-County Level 4 Hospital – County Government of Nyamira as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, the Health Act, 2017 and the County Governments Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

The statement of financial performance reflects amounts of Kshs.2,610,512 and Kshs.781,168 in respect of medical/clinical costs and repairs and maintenance, respectively. However, the statement of cash flows reflects amounts of Kshs.700,385 and Kshs.753,904 respectively resulting in unexplained variances of Kshs.1,910,127 and Kshs.27,264, respectively.

Further, the statement of cash flows reflects net cash flows from operating activities balance of Kshs.1,086,145. However, as required by the recommended reporting template, the statement has not disclosed the effect of the receivables from exchange transactions, inventories and trade and other payables on the cash flows of the Hospital despite the items having some movement.

In the circumstances, the accuracy of the financial statements could not be confirmed.

2. Variances in Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs.1,285,072 as disclosed in Note 15 to the financial statements. The amount relates to dues from the National Health Insurance Fund (NHIF) whose records indicate a balance of Kshs.1,524,440 resulting in an unexplained variance of Kshs.239,368.

Further, the amount 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 thirty (30) days of submission.

In the circumstances, the accuracy, completeness and recoverability of the trade receivables balance from exchange transactions of Kshs.1,285,072 could not be confirmed.

3. Unsupported Capital Fund Balance

The statement of changes in net assets reflects a capital fund balance of Kshs.38,346,145 which includes a brought forward balance of Kshs.37,260,000 from the financial year 2021/2022. However, Management did not provide the supporting schedules or ledger for the balance.

In the circumstances, the accuracy and completeness of the capital fund balance of Kshs.38,346,145 could not be confirmed.

4. Property, Plant and Equipment

4.1 Unsupported Property, Plant and Equipment Balance

The statement of financial position reflects property, plant and equipment balance of Kshs.33,697,500 as disclosed in Note 17 to the financial statements. However, Management did not provide a valuation report for the assets and the supporting ledgers or schedules for the respective classes of assets of the Hospital.

Further, Management did not provide the ownership documents for the assets, including the land, buildings, motor vehicles, plant and medical equipment and other assets, owned and operated by the Hospital.

In addition, Management did not maintain a fixed asset register detailing dates of acquisition, cost, supplier, location, depreciation, unique identification number, disposal and other details of the Hospital's assets.

In the circumstances, the accuracy, completeness, ownership and valuation of property plant and equipment balance of Kshs.33,697,500 could not be confirmed.

4.2 Failure to Disclose Depreciation Policy

The statement of financial performance and Note 11 to the financial statements reflect depreciation costs amounting to Kshs.2,452,500. However, Management did not provide the depreciation policy for its assets and/or a schedule indicating how the depreciation amounts for each asset were determined. Further, the Hospital's depreciation policy was not disclosed in the financial statements.

In the circumstances, the accuracy and completeness of the depreciation cost of the Kshs.2,452,500 could not be confirmed.

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

The statement of financial performance reflects an amount of Kshs.499,557 in respect of employee costs which as disclosed in Note 9 to the financial statements relates to payments to casual and contractual staff.

Further, available information revealed that the Hospital received services from ten (10) medical staff employed and paid by the County Government. However, the related expenditure was not disclosed in the financial statements of the Hospital and the payroll and related records were not provided for audit verification.

In the circumstances, the accuracy and completeness of employee costs amounting to Kshs.499,557 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual receipts on a comparable basis of an amount of Kshs.8,364,476 and Kshs.5,609,961 respectively resulting in revenue under-collection of Kshs.2,754,515 or 33% of the budget. However, the Hospital spent an amount of Kshs.7,383,580 against the actual receipts of Kshs.5,609,961 resulting in an over-expenditure of Kshs.1,773,619 or 32% of the actual receipts.

The under-collection affected the planned activities of the Hospital and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect to this matter.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Failure to Submit Financial Statements for the Financial Year 2021/2022

The Hospital did not submit the financial statements for the financial year 2021/2022 for audit as required by the guidelines on preparation of financial statements. This is contrary

to Section 47(1) of the Public Audit Act, 2015 which states that the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three (3) months after the end of the fiscal year to which the accounts relate.

Further, Paragraph 5.3 of the Public Sector Accounting Standards Board guidelines on implementation of IPSAS Accrual by level 4 and 5 Public Hospitals in Kenya states that the hospitals' reporting period runs from 1st July to 30th June each year. The first period of reporting under the new accounting framework was 30 June, 2022. The Level 4 and 5 hospitals were expected to prepare financial statements for 12 months from 01 July, 2021 to 30 June, 2022 and subsequent periods.

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

2. 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 the Kenya Quality Model for Health Policy Guidelines due to staff deficits of ninety-one (91) staff requirements or 90% of the authorized establishment.

Personnel	Recommended Staffing Level	Actual Staff in Hospital	Variance	Percentage in Place(%)
Medical Officers	16	0	16	0
Anesthesiologists	2	0	2	0
General Surgeons	2	0	2	0
Gynaecologists	2	0	2	0
Pediatricians	2	0	2	0
Radiologists	2	0	2	0
Registered Community Health Nurses	75	10	65	87
Total	101	10	91	90

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

Required Services for a Level 4 Hospital	Hospital Status
Surgical,	Only minor services offered

Required Services for a Level 4 Hospital	Hospital Status
Paediatric	None
Gynaecological	None
Radiology	None
Emergency Obstetric Care and Oral Health Services	None
Renal Dialysis	None
Mortuary and Autopsy Services	None
Advanced Life Support	None
Caesarean Sections and Surgical Operations	None
Land Size	Not valued, less than the required 5 acres
Beds	Fifteen (15) Bed Capacity against the required 150
Resuscitaire in Theatre	None
Resuscitative (two (2) in Labour Ward and one in Theatre)	One (1)
Functional Intensive Care Unit - Beds	None against the required six (6) beds
High Dependency Unit - Beds	None against the required six (6) beds
Renal Unit with at least 5 Dialysis Machines	None
Two Functional Operating Theatres - Maternity and General	None

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

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Lack of Internal Audit Function and Audit Committee

During the year under review, the Hospital did not have an Internal Audit function and relied on the County Government for the internal audit services. However, Management did not provide any internal audit reports for the Hospital carried out during the year under review. Further, the Hospital did not have an Audit Committee during the year.

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

2. Lack of a Procurement Function at the Hospital

During the year under review, the Hospital did not have a procurement function and relied on the County Government for the procurement services. Management may therefore not be in control of the procurement process of goods and services for the Hospital.

In the circumstances, the effectiveness of the internal controls related to procurement of goods and services at the Hospital could not be confirmed.

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

Responsibilities of Management and the Board of Management

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

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control 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 Management.
- Conclude on the appropriateness of Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Hospital to cease to continue to sustain its services.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Hospital to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

08 July, 2024




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

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

Description	Notes	2022/23 Kshs
Revenue from non-exchange transactions		
In-kind contributions from the County Government	6	1,530,127
		1,530,127
Revenue from exchange transactions		
Rendering of services- Medical Service Income	7	4,079,834
Revenue from exchange transactions		
Total revenue		5,609,961
Expenses		
Medical/Clinical costs	8	2,610,512
Employee costs	9	499,557
Board of Management Expenses	10	75,000
Depreciation and Amortization	11	2,452,500
Repairs and maintenance	12	781,168
General expenses	13	964,843
Total expenses		7,383,580
Net Surplus/Deficit for the year		(1,773,619)

The notes set out on pages 7 to 33 form an integral part of the Annual Financial Statements.


The Hospital's financial statements were approved by the Board on 29th September 2023 and signed on its behalf by:

		
.....
Dr. Charles Momanyi	CPA Jemimah B. Abuga	Mr Paul Obure
Chairman	Head of Accounting Services	Medical Superintendent
Board of Management	ICPAK No: 12842	


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

Description	Notes	2022/23
		Kshs
Assets		
Current assets		
Cash and cash equivalents	14	1,086,145
Receivables from exchange transactions	15	1,285,072
Inventories	16	703,857
Total Current Assets		3,075,076
Non-current assets		
Property, plant, and equipment	17	33,697,500
Total Non-current Assets		33,697,500
Total assets		36,772,576
Liabilities		
Current liabilities		
Trade and other payables	18	200,050
Total Current Liabilities		200,050
Non-current liabilities		
Total non-current liabilities		
Total Liabilities		200,050
Net assets		36,572,526
Accumulated surplus/Deficit		(1,773,619)
Capital Fund		38,346,145
Total Net Assets and Liabilities		36,572,526

The Hospital's financial statements were approved by the Board on 29th sept 2023 and signed on its behalf by:


.....

Dr. Charles Momanyi
Chairman
Board of Management


.....

CPA Jemimah Abuga
Head of Accounting Services
ICPAK No: 12842


.....

Mr Paul Obure
Medical Superintendent

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

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


	Revaluatio nreserve	Accumulated surplus/Deficit	Capital Fund	Total
As at June 30 2022			37,260,000	37,260,000
As at July 2022			1,086,145	1,086,145
Revaluation gain				
Surplus/(deficit) for the year		(1,773,619)		(1,773,619)
Capital/Development grants				
At June 30, 2023		(1,773,619)	38,346,145	36,572,526

The notes set out on pages 7 to 33 form an integral part of the Annual Financial Statements.

The Hospital's financial statements were approved by the Board on 29th sept 2023 and signed on its behalf by:



Dr. Charles Momanyi
Chairman
Board of Management



CPA Jemimah Abuga
Head of Accounting Services
ICPAK No: 12842



Mr Paul Obure
Medical Superintendent

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

Description	Note	2022/23 Kshs
Cash flows from operating activities		
Receipts		
Rendering of services- Medical Service Income		4,079,834
Total Receipts		4,079,834
Payments		
Medical/Clinical costs		700,385
Employee costs		499,557
Board of Management Expenses		75,000
Repairs and maintenance		753,904
General expenses		964,843
Total Payments		2,993,689
Net cash flows from operating activities		1,086,145
Net increase/(decrease) in cash and cash equivalents		1,086,146
Cash and cash equivalents at 1 July 2022		0
Cash and cash equivalents at 30 June 2023		1,086,145

The notes set out on pages 7 to 33 form an integral part of the Annual Financial Statements.

The Hospital's financial statements were approved by the Board on 30 september 2023 and signed on its behalf by:


.....

Dr. Charles Momanyi
Chairman
Board of Management


.....

CPA Jemimah B. Abuga
Head of Accounting Services
ICPAK No: 12842


.....

Mr Paul Obure
Medical Superintendent

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

18. Statement Of Comparison of Budget and Actual Amounts For The Year Ended 30 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						
Rendering of services- Medical Service Income	3,911,282	2,923,067	6,834,349	4,079,834	2,754,515	60%
In kind contributions	1,530,127	0	1,530,127	1,530,127	0	100%
Total income	5,441,409	2,923,067	8,364,476	5,609,961	2,754,515	60%
Expenses						
Medical/Clinical costs	1,800,000	1,053,783	2,853,783	2,610,512	243,271	91%
Employee costs	538,409	550,000	1,088,409	499,557	588,852	46%
Remuneration of directors	100,000	170,000	270,000	75,000	195,000	28%
Depreciation and amortization	2,452,500	0	2,452,500	2,452,500	0	100%
Repairs and maintenance	150,000	149,284	299,284	781,168	(481,884)	261%
General expenses	400,500	1,000,000.	1,400,500	964,843	435,657	54%
Total expenses	5,441,409	2,923,067	8,364,476	7,383,580	980,896	54%
Surplus/Deficit for the period	-	-	-	(1,773,619)	(1,773,619)	


Budget notes


Revenue target was not achieved due delays in reimbursement of NHIF claims and also insufficient supply of commodities which were lower than the hospital drawing rights.


The notes set out on pages 7 to 33 form an integral part of the Annual Financial Statements.

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

The Hospital's financial statements were approved by the Board on 29th sept 2023 and signed on its behalf by:


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Dr. Charles Momanyi
Chairman
Board of Management


.....
CPA Jemimah B. Abuga
Head of Accounting Services
ICPAK No: 12842


.....
Mr. Paul Obure
Medical Superintendent

19. Notes to the Financial statements

1. General Information

Nyangena Level 4 Hospital is established by and derives its authority and accountability from PFM Act. The Hospital is wholly owned by the Government of Kenya and is domiciled in Kenya. The hospital's principal activity is provision of primary healthcare 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 hospital's accounting policies.

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

3. Adoption of New and Revised Standards

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

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

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

Standard	Effective date and impact:
	(c) The impact of such social benefits provided on the Hospital's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> 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. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. 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>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"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>

IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of a Hospital.</p> <p>The new standard requires entities to recognize, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

iii) Early adoption of standards

The hospital did not early – adopt any new or amended standards in the year 2022/2023

4. Summary Of Significant Accounting Policies

a) Revenue recognition

Revenue from non-exchange transactions

Transfers from other Government entities

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

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

Revenue from exchange transactions Rendering of services

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

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery

Of the goods and when the amount of revenue can be measured reliably, and it is probable that the economic benefits or service potential associated with the transaction will flow to the Hospital.

Interest income

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

Dividends

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

Rental income

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

b) Budget information

The original budget for FY 2022/2023 was approved on 20th June 2022 by Board. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Hospital upon receiving the respective approvals in order to conclude the final budget. Accordingly, the hospital recorded additional appropriations of *ksh. 2,923,067* on the FY 2022/2023 budget following the Board's approval. The hospital's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the

financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section *XVI* 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. Investment properties are de-recognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

e) Property, plant and equipment

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

f) Leases

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

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

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

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

g) Intangible assets

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

h) Research and development costs

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

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

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

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

i) Financial instruments financial assets
Initial recognition and measurement

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

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

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

Loans and borrowing

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

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

Inventories

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

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

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

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

j) Provisions

Provisions are recognized when the hospital has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Hospital expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

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

Contingent liabilities

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

Contingent assets

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

k) Nature and purpose of reserves

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

l) Changes in accounting policies and estimates

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

m) Employee benefits Retirement benefit plans

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

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

n) 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.

o) Borrowing costs

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

p) Related parties

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

q) Service concession arrangements

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

r) 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 authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

s) Comparative figures

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

t) 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 hospital's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

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

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Notes to the Financial statements continued

6. In Kind Contributions from The County Government

Description	2022/2023
	KShs
Pharmaceutical and Non-Pharmaceutical Supplies	1,530,127
Total grants in kind	1,530,127

7. Rendering of Services-Medical Service Income

Description	2022/23
	KShs
Pharmaceuticals	1,605,000
Non-Pharmaceuticals	800,000
Laboratory	1,082,704
Medical Records	140,000
Accident and Emergency Service	50,000
Nutrition service	30,000
Consultation	51,435
Paediatrics services	45,000
Other medical services income	275,695
Total revenue from the rendering of services	4,079,834

8. Medical/ Clinical Costs

Description	2022/23
	KShs
Laboratory chemicals and reagents	175,489
Food and Ration	269,635
Health Records and Information	104,165
Dressing and Non-Pharmaceuticals	124,096
Pharmaceutical supplies	185,000
Health information stationery	80,000
In kind donation (pharmaceuticals)	1,530,127
Sanitary and cleansing Materials	30,000
Purchase of Medical gases	12,000
FUEL for maternity/referrals	100,000
Total medical/ clinical costs	2,610,512

9. Employee Costs

Description	2022/23
	KShs
Salaries, wages, and allowances	499,557

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

10. Board of Management Expenses

Description	2022/23
	KShs
Sitting allowance	75,000
Total	75,000

11. Depreciation and Amortization Expense

Description	2022/2023
	Kshs
Property, plant and equipment	2,452,500
Total depreciation and amortization	2,452,500

12. Repairs And Maintenance

Description	2022//23
	KShs
Motor vehicle expenses	95,500
Computer and accessories	30,000
Property- Buildings	655,668
Total repairs and maintenance	781,168

13. General Expenses

Description	2022/23
	KShs
Bank charges	106,712
Electricity expenses	206,493
Travel and accommodation allowance	165,250
Telephone and mobile phone services	45,149
CHMT support	88,248
Primary health care support	352,991
Total General Expenses	964,843

14. Cash And Cash Equivalents

Description	2022/23
	KShs
Current accounts	1,086,145
Total cash and cash equivalents	1,086,145

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

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

Description		2022/23
Financial institution	Account number	KShs
a) Current account		
Kenya Commercial bank	1152615718	1,086,145
Sub- total		1,086,145
Grand total		1,086,145

15. Receivables From Exchange Transactions

Description	2022/23
	KShs
Medical services receivables	1,285,072
Total receivables	1,285,072

16. Inventories

Description	2022/23
	KShs
Pharmaceutical supplies	499,857
Food supplies	50,000
Cleaning materials supplies	54,000
General supplies	100,000
Total	703,857

17. Property, Plant and Equipment

Description	Land	Building and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Total
	Shs		Shs	Shs	Shs	Shs	Shs
At 1 st July 2022	7,000,000	20,000,000	4,000,000	600,000	50,000	4,500,000	36,150,000
Disposals							
Depreciation	0	800,000	1,000,000	75,000	15,000	562,500	2,452,500
Transfer/adjustments							
At 30th June 2023	7,000,000	19,200,000	3,000,000	525,000	35,000	3,937,500	33,697,500

Note: The hospital management does not have a depreciation policy and therefore the hospital has adopted the income tax Act (CAP 470) which refers to the rates contained in the same Act.

18. Trade Payables

Description	2022/23
	KShs
Trade payables	200,050
Total trade and other payables	200,050

19. Cash Generated from Operations

	2022/23
	KShs
Surplus for the year before tax	
Adjusted for:	1,086,146
Depreciation	
Non-cash grants received	
Impairment	
Gains and losses on disposal of assets	
Contribution to provisions	
Contribution to impairment allowance	
Working Capital adjustments	
Increase in inventory	
Increase in receivables	
Increase in deferred income	
Increase in payables	
Increase in payments received in advance	
Net cash flow from operating activities	1,086,146

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

Notes to the financial statements (Continued)

20. Financial Risk Management

The Hospital'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 minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

i) Credit risk

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
Bank balance as At 30 June 2023		1,086,146	0	0
Receivables from exchange transactions		1,285,072	0	0
Receivables from –non-exchange transactions		0	0	0
Total		2,371,218	0	0

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 Hospital has significant concentration of credit risk on amounts due from NHIF

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

The board of management sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023				
Trade payables			200,050	200,050
Current portion of borrowings			0	0
Provisions			0	0
Deferred income			0	0
Employee benefit obligation			0	0
Total			200,050	200,050

iii) Market risk

The hospital has put in place an internal audit function to assist it in assessing the risk faced by the Hospital 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 Hospital's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

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

a) Foreign currency risk

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

Description	KShs	Other currencies	Total
	Kshs		Kshs
At 30 June 2023			
Financial assets (investments, cash, debtors)	0	0	0
Liabilities	0	0	0
Trade and other payables	0	0	0
Borrowings	0	0	0
Net foreign currency asset/(liability)	0	0	0

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

Notes to the Financial Statements (Continued)

Description	KShs	Other currencies	Total
	Kshs		Kshs
At 30 June 2023			
Financial assets (investments, cash, debtors)	0	0	0
Liabilities	0	0	0
Trade and other payables	0	0	0
Borrowings	0	0	0
Net foreign currency asset/(liability)	0	0	0

Foreign currency sensitivity analysis

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

Description	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2022			
Euro	10%	0	0
USD	10%	0	0
2023			
Euro	10%	0	0
USD	10%	0	0

b) Interest rate risk

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

Management of interest rate risk

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

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

Notes to the Financial Statements (Continued)

Sensitivity analysis

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

iv) Capital Risk Management

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

Notes to the Financial Statements (Continued)

21. Related Party Balances

Nature of related party relationships

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

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

- i) The National Government;
- ii) The County Government;
- iii) Hospital Board members

22. Contingent Liabilities

Contingent liabilities	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
Court case against the company	0	0
Bank guarantees in favour of subsidiary	0	0
Total	0	0

23. Events after the Reporting Period

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

24. Ultimate and Holding Entity

The hospital is a State Corporation/ or a Semi- Autonomous Government Agency under the Department of health. Its ultimate parent is the County Government of Nyamira.

25. Currency

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

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

20. Appendices

Appendix 1: Progress on Follow Up of Auditor Recommendations

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

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)



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Mr. Paul Obure
Accounting Officer

Appendix II: Projects Implemented by The Entity

Projects

Projects implemented by the Hospital Funded by development partners

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

Status of Projects completion

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