

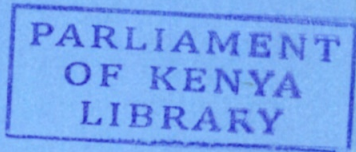
REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

**OF**



**THE AUDITOR-GENERAL**

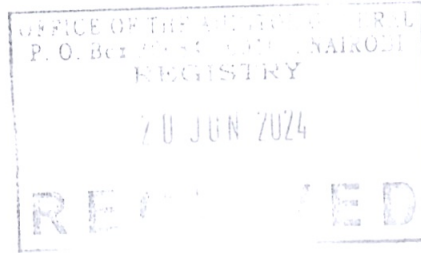
**ON**

**MIRUGI KARIUKI SUB-COUNTY  
LEVEL 4 HOSPITAL**

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

**COUNTY GOVERNMENT OF NAKURU**

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COMMITTEE	~
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*Revised 30<sup>th</sup> June 2023*



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## **Mirugi Kariuki Subcounty Level 4 Hospital (Nakuru County Government)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2023**

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

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*Mirugi Kariuki Subcounty Hospital (Nakuru County Government)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023*

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**1. Acronyms & Glossary of Terms**

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

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

*(This list is an indication of the common acronyms and glossary of terms; the entity should include all from the annual report and financial statements prepared)*

## **2. Key Entity Information and Management**

### **(a) Background information**

Mirugi Kariuki Sub County Hospital is a level 4 hospital established under gazette notice Vol. CXXIII -No. 157 Code:15188 and is domiciled in Nakuru County. The hospital is governed by a Board of Management.

Mirugi Kariuki sub county hospital is in Mwariki B ward, Nakuru east Sub County in Nakuru County. The facility was constructed by Economic Stimulus Program (ESP) and officially opened by his Excellency Dr. William Samoei Rutto on 5th October 2004 as a Health Centre. On 20th March 2015 it was elevated to a level IV health facility with a catchment population of 10,000 majority being women and children. It currently offers services to the public under the county department of health services. It lies on a 2.5Acres piece of land with the titling process being followed up by the County department of health. The facility has no ownership documents/no title deed.

### **(b) Principal Activities**

The principal activity/mission/ mandate of the hospital is to optimize patient experience through innovative, evidence based specialized health care, facilitate training, research, and participate in national health policy implementation.

We offer MCH and Maternity services under Linda Mama program and NHIF services. The facility has a current staff establishment of 26 under permanent and pensionable terms, 7 under county contract, 4 under the UHC program, 9 seconded by supporting partners (UTJ & NorthStar Alliance) and 7 under hospital contract.

There is great understaffing in all cadres with some key cadres missing needed to offer services in essential services such as nutritional services. The county government has employed most of the technical officers and contractual staff while the facility improvement fund (FIF) remunerates casual workers and security officers. USAID TUJENGE JAMII and NorthStar Alliance has employed staffs to support the HIV/AIDS control program.

### **(c) Key Management**

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

- County department of health
- Board of Management
- Accounting Officer/ Medical Superintendent
- Management
- Others (*specify*)

### **(d) Fiduciary Management**

*Mirugi Kariuki Subcounty Hospital (Nakuru County Government)*  
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The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2023 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Hospital Medical Superintendent	<b>Dr. Muriithi Lilian</b>
2.	Head of Accounting Unit	<b>CPA. John Kaelo</b>
3.	Hospital Administrator	<b>Ms. Celestine Okinda</b>
4.	Nursing Officer Incharge	<b>Rose Koech</b>
5.	Hospital Accountant	<b>Grace Kakai</b>

*(Include all positions regarded as top management in your hospital).*

**(e) Fiduciary Oversight Arrangements**

- Clinical Research and Standards Committee.
- Audit committee activities
- Risk Committee activities
- Other oversight committees

**Key Entity Information and Management (continued)**

**(f) Entity Headquarters**

Mirugi Kariuki Sub County Hospital  
P.O. Box 4686 - 020100  
Nakuru East Ward,  
Pipeline, Mzee wa Nyama,  
NAKURU, KENYA

**(g) Entity Contacts**

Telephone: (+254) 711516553  
E-mail: mirugikariukihospital@gmail.com

**(h) Entity Bankers**

Co-operative Bank of Kenya  
Nakuru Branch  
Nakuru.

**(i) Independent Auditors**

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

*Mirugi Kariuki Subcounty Hospital (Nakuru County Government)*  
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Nairobi, Kenya



**(j) Principal Legal Adviser**

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



**(k) County Attorney**

P.O. Box. 2870  
Nakuru, Kenya




**3. The Board of Management**

Ref	Directors	Details
1.	 Dr. Kiprop Daruius Tururu – Board Chair	70 years PHD-Insect physiology Msc. In Entomology Bachelor of science Senior Lecturer in Egerton University-Njoro
2.	 Judith Mongare – Vice Chair	50years Certificate of Accountants and Secretaries Clerk at Mirugi Kariuki Sub county Hospital
3.	Michael Kihiu – Member	
4.	Kibiru Mangondu - Member	

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5	 Raphael Maera- Member	50 years Degree In Leadership and Management Travel manager Entrepreneur Member of quality Management
6	Nicodemus Akibah – Member	Diploma in Community Management
7.	Samson Onsongo - Member	Degree in Theology
8.	Margaret Njue - Member	51years Certificate of Proficiency Insurance and Education Trust Madison Insurance company as undewriter 12 years experience
10.	 Samuel Mugucia – Secretary	43 years Msc. In Health systems(on going) MPH(EPidemiology and disease control) Degree in Community health 19 years of Experience

**4. Key Management Team**

Ref	Management	Details
1.	 Samuel Mugucia-Facility In-charge	Msc. In Health systems(on going) MPH(EPidimology and disease control) Degree in Community health 19 years of Experience
2.	 Celestine Okinda– Hospital Administrator	Bachelor of business Management–human resource option Hospital Administrator 12 years experience Secretary at Hmt
3.	 Joyce Mwangi – Nursing officer In-charge	Diploma in Nursing Registered Community Health 20 years’ experience in KRCHN




*Mirugi Kariuki Subcounty Hospital (Nakuru County Government)  
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4.	 Esther W. Kariuki – Procurement Officer	Advanced Certificate in Supplies and Management
5.	 Isaya Otieno Odotte – Lab Incharge	Certificate in Medical Lab Technology
6.	 CPA Grace Kakai – Facility Accountant	Bachelor of commerce – Accounting CPA Compliant


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7.	 Lilian Ngure - HRIO	Diploma in Health Records and Information Technology
8.	 Joel Bett – Facility Public Health Officer	Masters In Public Health (Epidemiology and Disease Control) Degree in Environmental Health Sciences
9.	 Lucy Gitonga – Pharmacy In Charge	Diploma in Pharmaceutical Technologist

*Mirugi Kariuki Subcounty Hospital (Nakuru County Government)  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023*

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10.	 Ann Wanjohi – Clinical Officer In Charge	Bachelors in Clinical medicine and surgery Diploma in clinical medicine 15 years experience
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*(Note: The Med sup and the Entity Secretary will feature both under the 'Board' and 'Management'.)*


## 5. Chairman’s Statement

It is my pleasure to present the Hospital’s 2022/2023 annual report and Financial S t a t e m e n t s. The Board of Management is proud of the achievements realized by the hospital in this period towards “A world class patient centred Specialized care Hospital”. I am particularly impressed by the “can do attitude” of staff coupled with their commitment to delivering the best possible service to patients. These services include, Medical Consultations, Mother Child Health, Maternity services, Physiotherapy NM services, Pmct services, Laboratory services, Services among others. Over time the facility has progressed from health centre to a level 4 hospital; as such with the support of the county there have been major renovation and hospital facelift to ensure the services match those of a Level 4 facility.

Regulatory environment Management and operations of the hospital is guided by the existing legal, policy, and institutional frameworks that govern health sector to ensure efficient and effective delivery of services in the Hospital. The Kenyan Constitution 2010 under the Bill of Rights provides the right to the highest attainable standard of health including reproductive health care and emergency medical treatment as stipulated by the County government health systems, provides for regulation of health care services and health care service providers, health products and health technologies. The hospital has continued to experience challenges and changing business environment which calls for continuous improvement of the quality of services to the customers. In response to this, the Board and staff as a whole remains focused on providing resources and supporting initiatives that will sustain Mirugi Kariuki Sub County Hospital in a leadership position in the healthcare sector.

On behalf of the Board, I would like to thank all our stakeholders especially County Government of Nakuru and development partners for the support they continue to accord the hospital without which our achievements would not have been realized. As we move into a new year, I would like to express my gratitude to Mirugi Kariuki hospital staff, specialists, team leaders and the Board, who take such pride in their work, and who exemplify our hospital’s mission and values each day. Finally, I strongly believe that our strategy and the staff in place will consistently drive our growth in the future as has been the case over the years.



  
.....

**DR .Darius Taruru**

**Chairman to the Board**

## **6. Report of The Medical Superintendent**

I am pleased to present the Hospital's annual report and financial statements for the year 2022/2023. The report highlights the hospitals operational and financial performance as well as our strategic direction. The hospital provides specialized healthcare services. To meet our patients' needs, we have specialists in all disciplines of medical practice who ensure our customers receive safe, timely, equitable, efficient, effective and patient-centred services.

### **Centres of excellence**

The hospital plans to established centres of excellence in the outpatient services offered. The centres of excellence will work to provide a one stop service for the increasing cases of diseases referred. This will see an improvement in the existing departments as well as introduction of key departments through the guidance of the county government and the support of partners.

### **Embracing Technology to Advance Patient Care**

The use of ICT is a priority for Mirugi Kariuki Hospital as reflected in Kenya's ICT Master Plan and need to automate systems to enhance efficiency in services delivery. Towards this, the hospital was earmarked for piloting the Kenya EMR system, donor supported through the county ministry of health. The county was able to carry out a business reengineering with the view of aligning all hospital processes in readiness for automation. This process culminated in the development of specifications for robust hospital information management system and corresponding enterprise resource planning (ERP) systems. Kenya EMR was installed in the facility which was placed in select departments working in conjunction with Epic soft system that was in use prior to the installation of the Kenya EMR system for efficient service delivery in all areas served within Mirugi Kariuki Sub County Hospital. The system was user friendly and with the support of the county ministry of health and partners made it quite cost effective with little cost of maintenance. The facility is now working closely with the county department of ICT towards transitioning fully to use of the Kenya EMR system only however has a challenge in maternity, inpatient services, CWC, MCH and ANC services. The facility is also working with the partners with an aim of integrating the comprehensive Kenya EMR system to the CCC Kenya EMR system to have one channel of monitoring and referral as well as integrate the Kenya EMR system to the pay bill system to allow auto reflections of payments done through MPESA for services offered at the facility.

### **Effective Communication**

Mirugi Kariuki Hospital is putting great emphasis in improvement of communication with our patients, their families, and other stakeholders in an effective and timely manner.

To this end, we have continued to train our staff on customer care and effective communication while upholding the highest standards of care.

We have strengthened customer care services in the facility with the provision of a complaints box right at the entry of the facility and provision of a grievances book has been made available at the hospital administrators office which addresses grievances on time and ensures timely solutions to challenges as they are raised.

There is a facility committee established to assess and discuss complaints and grievances as they arise with an aim of setting up systems that work at improving patient care and handling.

The facility also works closely with the 10 community health promoters who serve as a link between clients in the community and the facility to be able to reach the administration on time to assist in provision of timely and quality services to clients seeking services in the facility.

Through the office of the public health the hospital administration purposes to attend community baraza meetings with an aim of improving the relationship between the community and the facility by creating a system of openness and accountability thus encouraging the community to seek services in the facility.

#### **Financial Review.**

To meet the cost of operations and maintenance, the hospital relies on internally generated revenue, the largest component being cost sharing revenue. During the year under review, the hospital generated Kshs.6, 400,000 million against a target of Kshs. 11,500,000 million. This is a growth of 4% over and above the previous year's internally generated revenue. Despite the growth in revenue, the Hospital recorded a deficit of Kshs. 5,100,000 million in the year under review. The performance deficit is attributed to increase in medical costs and non-pharmaceuticals. During the year under review, the outstanding NHIF debt increased as the hospital embarked on the provision of services using the National hospital insurance fund for which the hospital used internally generated funds to bridge and consequently this has continued to adversely affect the financial sustainability.

#### **Acknowledgment**

Thousands of patients served are a living testament to the care, love and support offered every day by the outstanding commitment of our staff.

To the staff working at Mirugi Sub county hospital for the timely services they offer, the sacrifices they make to ensure quality services offered and for the eagerness towards improving the services offered at the facility.

We are grateful to hospital board for the support at improving the standards of services offered at the facility through oversight and accountability to ensure wise utilisation of the facility funds and assist in resource mobilisation by engaging local institutions for public private participation activities within the hospital.

Our stakeholders for their kindness, compassion, support, dedication, and contributions to Mirugi Kariuki Sub County Hospital.

.....  
**DR. Muriithi Lilian**  
Secretary to the Board



## 7. Statement of Performance Against Predetermined Objectives

*Mirugi Kariuki* develops its annual work plans based on the above mentioned 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 FY 2022/2023 period for its strategic pillars, as indicated in the diagram below: *Mirugi Kariuki Sub County Hospital* has five strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2022- FY 2023. These strategic pillars/ themes/ issues are as follows:

1. Clinical services
2. Health care financing
3. Infrastructure development
4. Leadership and governance
5. Health information

*Mirugi Kariuki Sub County Hospital* develops its annual work plans based on the above five 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 FY 2022/2023 period for its five strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Clinical services	<ul style="list-style-type: none"> <li>• To enhance quality of clinical services</li> </ul>	<ul style="list-style-type: none"> <li>• No stock outs of HPT</li> <li>• Increase uptake of maternity services</li> </ul>	<ul style="list-style-type: none"> <li>• Timely procurement of commodities.</li> <li>• Reduce referrals</li> </ul>	<ul style="list-style-type: none"> <li>• Efficient services</li> <li>• High number of delivers conducted at the facility</li> </ul>
Pillar/ theme/ issue 1: health care	To increase revenue generation	<ul style="list-style-type: none"> <li>• Revenue reports</li> </ul>	<ul style="list-style-type: none"> <li>• Expand service</li> </ul>	<ul style="list-style-type: none"> <li>• Increased revenue</li> </ul>

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<p><b>financing</b></p>	<p>Empower staffs on prudent financial management</p>	<ul style="list-style-type: none"> <li>• % Increase in revenue</li> <li>• Empower departmental in charges on financial managment</li> <li>• Strengthen use financial and procurement policies</li> </ul>	<p>menu</p> <ul style="list-style-type: none"> <li>• Review user fee charges</li> <li>• Regular training and capacity building</li> <li>• Support supervision and audit reports</li> </ul>	<p>generation</p> <ul style="list-style-type: none"> <li>• User fee committee for continuous review</li> <li>• Available procurement and financial management SOPs and guidelines.</li> <li>• Sealed revenue leakages.</li> </ul>
<p>Leadership and governance</p>	<p>Enhance leadership and governance capacity</p>	<ul style="list-style-type: none"> <li>• Constitute service delivery committees</li> <li>• Hold quarterly management meetings</li> <li>• Manage HRM</li> </ul>	<ul style="list-style-type: none"> <li>• Service delivery committee minutes.</li> <li>• Quarterly HMT and board meeting minutes.</li> <li>• Monthly HRM returns</li> </ul>	<ul style="list-style-type: none"> <li>• Effective service delivery.</li> <li>• Good governance of the facility.</li> <li>• Human resource reports.</li> </ul>

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			to county.	
<b>Health information</b>	Strengthen and manage health information	<ul style="list-style-type: none"> <li>• ICT system maintenance register</li> </ul>	<ul style="list-style-type: none"> <li>• Regular maintenance of ICT to ensure functionality</li> </ul>	<ul style="list-style-type: none"> <li>• Routine maintenance and upgrading of the system.</li> </ul>
<b>Infrastructure development</b>	<p>To expand service menu by construction and equipping of theatre</p> <p>To open ultrasound department</p>	<ul style="list-style-type: none"> <li>• Completion certificates</li> <li>• Project committee evaluation report .</li> <li>• ultrasound machine</li> </ul>	<ul style="list-style-type: none"> <li>• To complete minor fittings in the theatre</li> <li>• Expand scope of services at ANC</li> </ul>	<ul style="list-style-type: none"> <li>• 95% completion.</li> <li>• Fully functional ultrasound department.</li> </ul>

*(Under this section therefore, the management should include performance against the strategic objectives of the organisation. The management should outline the strategic Pillars, activities towards their achievement and outputs under each strategic pillar. The organisation should also briefly outline how they have tied achievements to performance contracts)*

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<b>Strategic Pillar/Theme/Issues</b>	<b>Objective</b>	<b>Key Performance Indicators</b>	<b>Activities</b>	<b>Achievements</b>
Pillar/ theme/ issue 1:				
Pillar/ theme/ issue 1:				

*(Under this section therefore, the management should include performance against the strategic objectives of the organisation. The management should outline the strategic Pillars, activities towards their achievement and outputs under each strategic pillar. The organisation should also briefly outline how they have tied achievements to performance contracts)*

## **8. Corporate Governance Statement**

Commitment to good corporate governance is fundamental in ensuring sustainable stakeholder value and meeting their expectations. Our structures, procedures and processes are anchored on accountability, transparency, responsibility and fairness which are the tenets of good corporate governance. Through the Board of Management, Mirugi Kariuki Sub County Hospital remains steadfast in complying with statutory requirements and the Code of Governance for State Corporations. Among others.

The roles and responsibilities of the Board as set out in the Board Charter include:

- i) Establishing the Hospital's strategic direction and priorities, and adopting business plans proposed by management for the achievement of the strategic objectives
- ii) Monitoring and evaluating the implementation of strategies, policies, management performance criteria and business plans.
- iii) Providing oversight in financial reporting to the Government and communication to stakeholders.
- iv) Ensuring availability of adequate resources for the achievement of the Hospital's objectives.
- vii) Overseeing business affairs of the Hospital in light of emerging risks and opportunities.
- ix) Approving annual budgets.

The Board provides oversight to Management and ensures that staff operates within the Code of Conduct and Ethics, Leadership Integrity Act, and the "Mwongozo" Code of Governance for State Corporations.

## **9. Management Discussion and Analysis**

### **Clinical Performance**

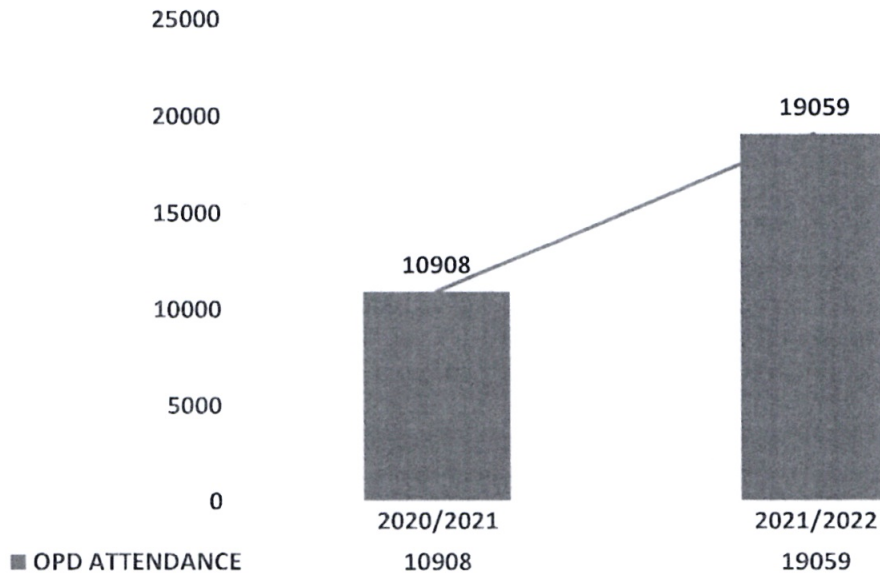
Mirugi Kariuki Sub County Hospital continues to provide a wide range of highly specialized healthcare services to Kenyans, especially in Mwariki B ward, Nakuru East ward the entire Nakuru town east Counties. Services include Outpatient services, MCH services, ANC services, family planning services, maternity services among other services. The hospital also provides clinical support services that include laboratory and pharmacy services with plans to upscale to include ultrasound services being in the pipeline.

The hospital strives to ensure that the clinical services provided are safe, timely, appropriate, innovative, effective and evidence based. Clinical governance continues to be strengthened to improve patient safety and ensure quality healthcare. The hospital patient attendance continues to increase despite the many challenges i.e., budgetary constraints, human resource constraints, competing priority areas, political arena challenges and patient empowerment.

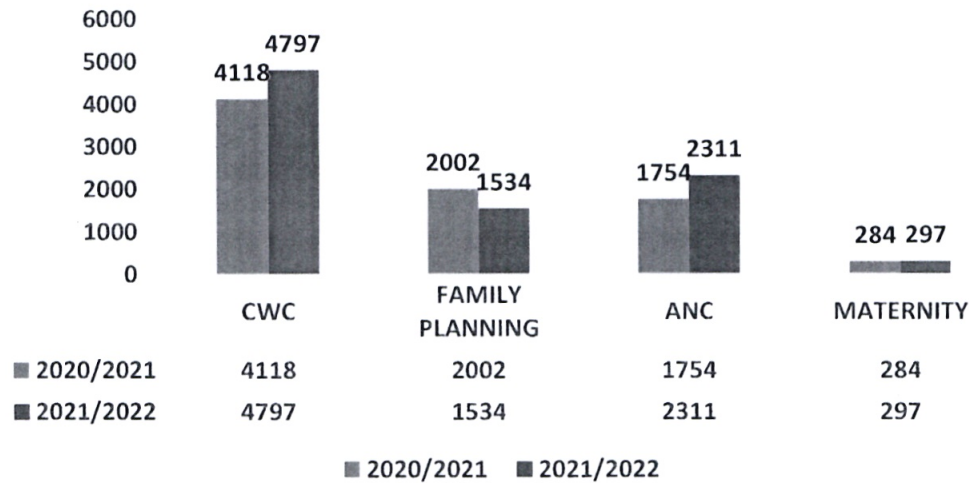
### **Overall patient attendance**

The average patient attendance for the year 2021/2022 was 27,701 outpatients and 297 in-patients. The Hospital's patient attendance analysis over the last four years is as depicted in the chart below.  
(Provide charts/graphs for explanations).

MIRUGI KARIUKI OUTPATIENT ATTENDANCE  
 YEAR 2020-2022



MIRUGI KARIUKI CWC,ANC,FAMILY PLANNING AND  
 MATERNITY ATTENDANCE YEAR 2021-2023



**Financial performance**

The Hospital revenue comprises of fee charged for services rendered, public contributions and in kind donations. The sources of revenue for the year under review and the trend over the last five years are as depicted in the charts below Sources of revenue, revenue trend, utilization rates expenditure trend. (Provide charts/graphs for explanations).

### **Key Hospital Projects**

#### **Building patient toilets:**

The hospital through the support of a donor was able to build additional patient toilets at a more strategic point for ease of access of the said utility.

#### **Installation of comprehensive Kenya EMR system:**

Mirugi Kariuki Sub County hospital through the support of the county underwent through a process of setting an I.T set up for the installation and utilisation of the comprehensive Kenya EMR system which is since slowly being incorporated in all the service areas of the hospital.

### **Challenges**

The hospital is faced with numerous challenges in fulfilling its mandate.

#### **i. Automation**

In a bid to ensure that Mirugi Kariuki Sub County Hospital provides efficient and effective services as well as provide the desired platform for clinical linkages, with other referral hospitals across the county, a business process re-engineering the interlinkages in the system amongst facilities should be carried out so that there is a robust ICT platform for ease of patient flow between supporting facilities within the government facilities.

The hospital is utilising two different programs which brings a challenge of monitoring the patient flow and cash flow from both systems which may end up creating a space for leakages. However, the facility is working closely with the developers of the integrated Kenya EMR system to allow for developing the system to be able to serve all the departments within the facility.

#### **ii. Underprivileged and Indigents medical bills**

Most of the patients treated at Mirugi Kariuki Sub County Hospital are elderly who are dependants or are from low-income households from Mwariki B ward. Therefore, a better number of them rely on the free services offered or utilise the exempted services with poor uptake of the charged services. Due to poor community education and hospital financial constraints, there is a challenge in a setting up and utilising an ideal waiving system and as such the various departments work with the budget allocated to have a certain amount set aside to utilise on waiver clients.

Due to this, the facility gets a challenge in effectively serve the diverse economic community it serves as there is notable stock out of consumables which worsens the already existing financial constraints being experienced.

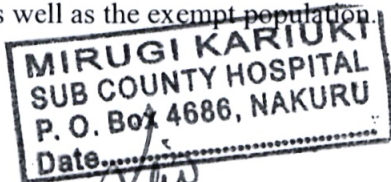
#### **iii. Lack of essential services**

The facility sits at a distance approximately 18kms from the referral facility which takes about 30 mins to access when referring clients. This is made worse as there is ambulance stationed at the facility and the facility relies on one stationed at Bondeni Sub County Hospital which is approximately 18km away and takes about 30 mins to arrive to the hospital. This greatly affects the quality of care offered in referring of patients in need of specialised care and thus discourages them from having full confidence in the services offered at the facility.

The Laboratory services are majorly rapid tests and microscopy with lack of services that can facilitate for specific patient care and as such creating a need for the clinical department referring clients for laboratory services which in turn leads to reduced confidence in the services offered at the facility.

**iv. Regular commodity stock outs**

Due to financial constraints the facility fund Is not adequate to match up the need for commodities in the ideal numbers needed. Erratic payments from NHIF have also created a challenge with the budgeting process as they may not match their payments to the claims forwarded plus delay in the payment with some being made after the budgeting process is closed and thus affect the services offered under the said program as well as the exempt population.



.....  
**DR. Muriithi Lilian**

**Secretary to the Board**

## **10. Environmental And Sustainability Reporting**

Mirugi Kariuki Sub County Hospital seeks to impact people's lives through its Corporate Social Responsibility (CSR) initiatives.

The initiatives are aimed at improving lives, avert disease related complications through early diagnosis and consistent management of diseases and by enhancing engagement with the public to educate them on ways of avoiding disease through various community activities by utilising the community health promoters attached to the facility and using partners to enhance outreach services to the communities within the catchment population of the facility. Central to this philosophy is the commitment to enhance the quality of life of people from marginalised and vulnerable communities, by empowering them and catalysing change through creating awareness on diseases and available interventions. The facility also works closely with partners who support with medical drugs offered for free to the community being served as well as support with additional free screening services that work at enhancing the quality of services offered. The services provided are daily patient health talks, psychosocial support in schools and other educational institutions, facility in reach services and various targeted outreach services.

## **11 .Report of The Board of Management**

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

### **Principal activities**

The principal activities of the entity are is to optimize patient experience through innovative, evidence based specialized health care, facilitate training and research, and participate in national health policy formulation.

### **Results**

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

### **Board of Management**

The members of the Board who served during the year are shown on page xxx. During the year, one director(s) retired/ resigned, and one director (s)was appointed with effect from Jan 2023.

### **Auditors**

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

By Order of the Board



DR. Muriithi Lilian

Secretary to the Board



### 11. Statement of Board of Management’s Responsibilities

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

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

The Board of Management accepts responsibility for the *entity*'s financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (*– entities should quote applicable legislation as indicated under*). The Board members are of the opinion that the *entity*'s financial statements give a true and fair view of the state of *entity*'s transactions during the financial year ended June 30, 20xx, and of the *entity*'s financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the *entity*'s financial statements as well as the adequacy of the systems of internal financial control.


In preparing the financial statements, the Directors have assessed the Fund’s ability to continue as a going concern (*disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements*) OR

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

#### Approval of the financial statements

The Hospital’s financial statements were approved by the Board on 7/9/2023 and signed on its behalf by:

  
.....  
Name:  
Chairperson

  
.....  
Name:  
Accounting Officer

MIRUGI KARIUKI  
SUB COUNTY HOSPITAL  
P. O. Box 4686, NAKURU  
Date.....

# REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



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

## REPORT OF THE AUDITOR-GENERAL ON MIRUGI KARIUKI SUB-COUNTY LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2023 – COUNTY GOVERNMENT OF NAKURU

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### PREAMBLE

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

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

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

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, the Health Act, 2017 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

## REPORT ON THE FINANCIAL STATEMENTS

### **Qualified Opinion**

I have audited the accompanying Financial Statements of Mirugi Kariuki Sub-County Level 4 Hospital - County Government of Nakuru set out on pages 1 to 36, which comprise of the statement of financial position as at 30 June, 2023 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

### **Basis for Qualified Opinion**

#### **1. Long Outstanding Receivables from Exchange Transactions**

The statement of financial position reflects receivables from exchange transactions balance of Kshs.2,300,230 and as disclosed in Note 14 to the financial statements. The balance relates to NHIF claims which have been outstanding for between one (1) and five (5) years and no efforts have been made by the Management to recover the outstanding receivables.

In the circumstances, the accuracy, completeness and recoverability of the receivables from exchange transactions balance of Kshs.2,300,230 could not be confirmed.

#### **2. Undisclosed Property, Plant and Equipment Balance**

The statement of financial position reflects Nil property, plant and equipment balance and as disclosed in Note 16 to the financial statements. However, review of records and physical inspection revealed that the Hospital has movable and immovable assets of undetermined value which were not disclosed in the financial statements.

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

### **3. Undisclosed Inventory Balance**

The statement of financial position reflects Nil inventory balance and as disclosed in Note 15 to the financial statements. However, review of records and physical inspection of the stores revealed that the Hospital had medical supplies of undetermined value which were not disclosed in the financial statements.

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

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

#### **Key Audit Matters**

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

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Failure to Transfer Revenue to the County Revenue Fund Account**

The statement of financial performance reflects rendering services - medical services income of Kshs.4,258,338 as disclosed in Note 7 to the financial statements. However, the amount was not transferred to the County Revenue Fund Account for approval by the Controller of Budget before withdrawal. This was contrary to Regulation 81(1-3) of Public Finance and Management (County Government) Regulations 2015 which states that a receiver of revenue shall promptly deposit into the County exchequer account all receipts due to the County Revenue Fund.

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

## **2. Lack of Quarterly Revenue Reports**

The statement of financial performance reflects an amount of Kshs.4,258,338 in respect to rendering of services - medical income as disclosed in Note 7 to the financial statements. However, the Hospital did not provide evidence to show that the quarterly reports were prepared and submitted the same to the County treasury with a copy to the Auditor-General. This was contrary to Regulations 64(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer or receiver of revenue or collector of revenue to prepare a quarterly report not later than the 15th day after the end of the quarter.

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

## **3. Irregular Engagement of Casual Workers**

The statement of financial performance reflects employee costs amounting to Kshs.1,289,350 and as disclosed in Note 9 to the financial statements. The amount includes Kshs.1,066,476 paid as wages to casual workers engaged by the Hospital for more than three months. This was contrary to Section 37 of the Employment Act, 2007 which states that a casual employee should be converted to a term contract where a casual employee works for a period or a number of continuous working days which amount in the aggregate to the equivalent of not less than one month.

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

## **4. Non-Compliance with Kenya Quality Model for Health Policy Guidelines**

Review of Hospital records and interviews on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits by eighty-seven (87) or 86% of the authorized staff requirements as detailed below:-

<b>Staff Requirements</b>	<b>Level 4 Standard</b>	<b>Number in Hospital</b>	<b>Variance</b>	<b>Percentage %</b>
Medical officers	16	1	15	94
Anaesthesiologists	2	0	2	100
General Surgeons	2	0	2	100
Gynaecologists	2	0	2	100
Paediatrics	2	0	2	100

<b>Staff Requirements</b>	<b>Level 4 Standard</b>	<b>Number in Hospital</b>	<b>Variance</b>	<b>Percentage %</b>
Radiologists	2	0	2	100
Kenya Registered Community Health Nurses	75	13	62	83
<b>Total</b>	<b>101</b>	<b>14</b>	<b>87</b>	<b>86</b>

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

<b>Service</b>	<b>Level 4 Hospital Standard</b>	<b>Actuals in the Hospital</b>	<b>Variance</b>	<b>Percentage %</b>
Beds	150	12	138	92
Resuscitative (2 in Lab or & 1 in Theatre)	2	0	2	100
New Born Unit Incubators	5	0	5	100
New Born Unit Cots	5	0	5	100
Functional ICU beds	6	0	6	100
High Dependency Unit (HDU) Beds	6	0	6	100
Renal Unit with at least 5 Dialysis Machines	5	0	5	100
Two Functional Operational theatres-Maternity & General	2	0	2	100

Further, the Hospital did not have surgical, pediatric, gynecological, radiology, renal dialysis, laboratory and mortuary services required to be offered in a level 4 Hospital.

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

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

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the

financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### **Basis of Conclusion**

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 Hospital's activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public money is applied in an effective manner.

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

governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to 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 the 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**

**28 June, 2024**

*Mirugi Kariuki Subcounty Hospital (Nakuru County Government)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023*

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


Description	Note	Insert Current FY 2022/23	Insert Comparative FY 2021/22
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
In-kind contributions from the County Government	6	1,100,000.00	1,100,000
<b>Revenue from exchange transactions</b>			
Rendering of services- Medical Service Income	7	4,258,338.00	5,109,082
<b>Revenue from exchange transactions</b>		<b>4,258,338.00</b>	<b>5,109,082</b>
<b>Total revenue</b>		<b>5,358,338.00</b>	<b>6,209,082</b>
<b>Expenses</b>			
Medical/Clinical costs	8	982,828	927,864
Employee costs	9	1,289,350	1,304,422
Board of Management Expenses	10	249,000	191,000
Repairs and maintenance	11	49,100	277,968
General expenses	12	1,673,876	1,830,607
<b>Total expenses</b>		<b>4,249,684</b>	<b>4,562,828</b>
<b>Net Surplus / (Deficit) for the year</b>		<b>1,108,652</b>	<b>1,646,254</b>

*(The notes set out on pages x to xx form an integral part of the Annual Financial Statements.)*

The Hospital's financial statements were approved by the Board on \_\_\_\_\_ and signed on its behalf by:

 .....

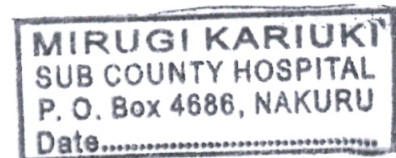
**Chairman**  
**Board of Management**

 7201 .....

**Head of Finance**  
**ICPAK No:**

 .....

**Medical Superintendent**



*Mirugi Kariuki Subcounty Hospital (Nakuru County Government)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023*

**15. Statement of Financial Position As At 30<sup>th</sup> June 2023**


Description	Note	Insert Current	Insert Comparative
		FY 2022/23	FY 2021/22
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	13	1,235,030	<b>1,183,558</b>
Receivables from exchange transactions	14	2,300,230	6,078,350
Inventories	15	0	0
<b>Total Current Assets</b>		<b>3,535,260</b>	<b>7,261,908</b>
<b>Non-current assets</b>			
Property, plant, and equipment	16	0	0
<b>Total Non-current Assets</b>			<b>0</b>
<b>Total assets</b>		<b>3,535,260</b>	<b>7,261,908</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	17	241,726	241,726
<b>Total Current Liabilities</b>		<b>241,726</b>	<b>241,726</b>
<b>Non-current liabilities</b>			
<b>Total Non-current liabilities</b>		<b>0</b>	<b>0</b>
<b>Total Liabilities</b>		<b>0</b>	<b>0</b>
<b>Net assets</b>		<b>3,535,260</b>	<b>7,261,908</b>
Revaluation reserve		0	0
Accumulated surplus/Deficit		1,108,654	1,677,221
Capital Fund		2,184,880	5,342,961
<b>Net assets</b>		<b>3,293,534</b>	<b>7,020,182</b>
<b>Total Net Assets and Liabilities</b>		<b>3,535,260</b>	<b>7,261,908</b>


*(The notes set out on pages 8 to 34 form an integral part of the Annual Financial Statements.)*

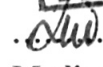
*Mirugi Kariuki Subcounty Hospital (Nakuru County Government)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023*

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The Hospital's financial statements were approved by the Board on 7/9/2023 and signed on its behalf by:

  
.....  
**Chairman**  
**Board of Management**

 7241  
.....  
**Head of Finance**  
**ICPAK No:**

  
.....  
**Medical Superintendent**

**MIRUGI KARIUKI**  
**SUB COUNTY HOSPITAL**  
**P. O. Box 4686, NAKURU**  
**Date.....**

*Comparative FY refers to the financial year preceding the current year.*

**Mirugi Kariuki Subcounty Hospital (Nakuru County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023**

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

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
<b>As at July 1, 2021 (previous year)</b>	-	<b>0</b>	0	<b>0</b>
Revaluation gain	0	-	-	0
Surplus/(deficit) for the year	-	1,677,221	-	1,677,221
Capital/Development grants	-		5,342,961	5,342,961
<b>As at June 30, 2022 (previous year)</b>	<b>0</b>	<b>1,677,221</b>	<b>5,342,961</b>	<b>7,020,182</b>
<b>At July 1, 2022 (current year)</b>	<b>0</b>	<b>1,646,254</b>	<b>0</b>	<b>1,646,254</b>
Revaluation gain	0	-	-	<b>0</b>
Surplus/(deficit) for the year	-	1,118,654	-	1,118,654
Capital/Development grants	-	-	2,174,880	2,174,880
<b>At June 30, 2023 (current year)</b>	<b>0</b>	<b>1,118,654</b>	<b>2,174,880</b>	<b>3,293,534</b>

(Note:

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

*Mirugi Kariuki Subcounty Hospital (Nakuru County Government)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023*

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

Description	Note	FY 2022/23	FY 2021/22
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Rendering of services- Medical Service Income	6&7	5,358,338	6,209,802
<b>Total Receipts</b>		<b>5,358,338</b>	<b>6,209,802</b>
<b>Payments</b>			
Medical/Clinical costs	8	972,828	927,864
Employee costs	9	1,289,350	1,304,422
Board of Management Expenses	10	249,000	191,000
Repairs and maintenance	11	49,100	191,000
General expenses	12	1,679,406	1,830,607
<b>Total Payments</b>		<b>4,239,684</b>	<b>4,531,861</b>
<b>Net cash flows from operating activities</b>		<b>1,118,654</b>	<b>1,677,221</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>			
Cash and cash equivalents as at 1 July	13		0
<b>Cash and cash equivalents as at 30 June</b>	13	<b>1,235,030</b>	<b>1,183,558</b>

*(PSASB has now prescribed the direct method of cashflow presentation for all entities under the IPSAS Accrual basis of accounting).*

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation on
	<b>a</b>	<b>b</b>	<b>c=(a+b)</b>	<b>d</b>	<b>e=(c-d)</b>	<b>f=d/c%</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	
<b>Revenue</b>						
In Kind contribution from the County Government	1,100,000	xxx	1,100,000.00	1,100,000.00	1,100,000.00	100%
Rendering of services- Medical Service Income	4,249,684	xxx	4,249,684.20	4,249,684.20	4,249,684.20	100%
<b>Total income</b>	<b>5,349,684</b>	<b>xxx</b>	<b>5,349,684.20</b>	<b>5,349,684.20</b>	<b>5,349,684.20</b>	<b>100%</b>
<b>Expenses</b>						
Medical/Clinical costs	982,828	xxx	982,828	982,828	982,828	100%
Employee costs	1,289,350	xxx	1,289,350	1,289,350	1,289,350	100%
Remuneration of directors	249,000	xxx	249,000	249,000	249,000	100%
Repairs and maintenance	49,100	xxx	49,100	49,100	49,100	100%
General expenses	1,673,876	xxx	1,673,876	1,673,876	1,673,876	100%
<b>Surplus for the period</b>	<b>1,108,654</b>	<b>xxx</b>	<b>1,108,654</b>	<b>1,108,654</b>	<b>1,108,654</b>	<b>90%</b>
<b>Capital expenditure</b>						

**Budget notes**

1. Provide an explanation of differences between actual and budgeted amounts (any over/ 90% under) IPSAS 24.14
2. Provide an explanation of changes between the original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)
3. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual) provide a reconciliation.)

## **19. Notes to the Financial Statements**

### **1. General Information**

Mirugi Kariuki Subcounty Hospital is established by and derives its authority and accountability from public finance management Act. The entity is wholly owned by the Nakuru County Government and is domiciled in Nakuru County in Kenya. The entity's principal activity to provide integrated health care for all.

### **2. Statement of Compliance and Basis of Preparation**

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

**Notes to the Financial Statements (Continued)**

**3. Adoption of New and Revised Standards**

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

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

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

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Standard	Effective date and impact
	Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1 <sup>st</sup> January 2023. <i>State the impact of the standard to the Entity if relevant</i>

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

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

**iii) Early adoption of standards**

The Entity did not early – adopt any new or amended standards in the financial year or *the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity's financial statements.)*

#### **4. Summary of Significant Accounting Policies**

##### **a. Revenue recognition**

##### **i) Revenue from non-exchange transactions**

###### **Transfers from other Government entities**

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

##### **ii) Revenue from exchange transactions**

###### **Rendering of services**

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

###### **Sale of goods**

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

###### **Interest income**

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

###### **Rental income**

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

*Notes to the Financial Statements (Continued)*

**b. Budget information**

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

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

**c. Taxes**

**Sales tax/ Value Added Tax**

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

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

*Notes to the Financial Statements (Continued)*

**d. Investment property**

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

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

**e. Property, plant and equipment**

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

*Notes to the Financial Statements (Continued)*

**f. Leases**

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

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

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

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

**g. Intangible assets**

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

*Notes to the Financial Statements (Continued)*

**h. Research and development costs**

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

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

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

**i. Financial instruments**

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (amend as appropriate).*

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

*Notes to the Financial Statements (Continued)*

**Financial assets**

**Classification of financial assets**

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

**Subsequent measurement**

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

**Amortized cost**

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

*Notes to the Financial Statements (Continued)*

**Fair value through net assets/ equity**

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

**Fair value through surplus or deficit**

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

**Trade and other receivables**

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

**Impairment**

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

**Financial liabilities**

**Classification**

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

*Notes to the Financial Statements (Continued)*

**j. Inventories**

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

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

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

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

**k. Provisions**

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

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

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

*Notes to the Financial Statements (Continued)*

**l. Social Benefits**

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

**m. Contingent liabilities**

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

**n. Contingent assets**

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

**o. Nature and purpose of reserves**

The entity creates and maintains reserves in terms of specific requirements. (*Entity to state the reserves maintained and appropriate policies adopted.*)

**p. Changes in accounting policies and estimates**

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

*Notes to the Financial Statements (Continued)*

**q. Employee benefits**

**Retirement benefit plans**

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

**r. Foreign currency transactions**

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

**s. Borrowing costs**

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

**t. Related parties**

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

*Notes to the Financial Statements (Continued)*

**u. Service concession arrangements**

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

**v. Cash and cash equivalents**

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

**w. Comparative figures**

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

**x. Subsequent events**

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

## **Notes to the Financial Statements (Continued)**

### **5. Significant Judgments and Sources of Estimation Uncertainty**

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

#### **Estimates and assumptions.**

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

#### **Useful lives and residual values**

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

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

#### **Provisions**

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

Notes to Financial Statements Continued

**6. In Kind Contributions from The County Government**

Description	Insert Current FY	Insert Comparative FY
	KShs	KShs
Medical supplies-Drawings Rights (KEMSA)	1,100,000	1,100,000
<b>Total grants in kind</b>	<b>1,100,000</b>	<b>1,100,000</b>

*(These include payments made directly by the County Governments for staff salaries and medical drugs. These should be recorded both as income and expense for completeness of financial statements)*

**7. Rendering of Services-Medical Service Income**

Description	FY 2022/23	FY 2021/22
	Kshs	Kshs
Pharmaceuticals	2,007,688	2,300,200
Non-Pharmaceuticals	950,000	1,174,160
Laboratory	1,300,650	1,634,722
<b>Total revenue from the rendering of services</b>	<b>4,258,338</b>	<b>5,109,082</b>

*(Other medical services fee relates to other charges not listed above and should be specified)*

**8. Medical/ Clinical Costs**

Description	FY 2022/23	FY 2021/22
	Kshs	Kshs
Laboratory chemicals and reagents	329,181	304,220
Dressing and Non-Pharmaceuticals	199,423	256,924
Pharmaceutical supplies	319,924	277,820
Health information stationery	124,300	88,900
<b>Total Medical costs</b>	<b>972,828</b>	<b>927,864</b>

*(Other medical/clinical related costs refers to all other costs involved in management of the patients directly not analysed above.)*

Notes to the Financial Statements (Continued)

9. Employee Costs

Description	Insert Current FY 2022/23	Insert Comparative FY 2021/22
	Kshs	Kshs
Salaries, wages, and allowances	1,289,350	1,184,422
Other employee costs (specify)	0	120,000
<b>Employee costs</b>	<b>1,289,350</b>	<b>1,304,422</b>

*(Social contribution relates to expenses incurred by the employer towards social welfare of Employees)*

10. Board of Management Expenses

Description	FY 2022/23	FY 2021/22
	Kshs	Kshs
Sitting allowance	249,000	191,000
<b>Total</b>	<b>249,000</b>	<b>191,000</b>

11. Repairs and Maintenance

Description	FY 2022/23	FY 2021/22
	Kshs	Kshs
Property- Buildings	44,100	125,568
Medical equipment	5,000	0
Computers and accessories	0	39,800
Maintenance of civil works	0	112,600
<b>Total repairs and maintenance</b>	<b>49,100</b>	<b>277,968</b>

12. General Expenses

Description	FY 2022/23	FY 2021/22
	Kshs	Kshs
Sanitary expenses	143,596	173,345
Food and ration expenses	445,000	486,712
Bank charges	5,530	3,026
Electricity expenses	567,250	253,630

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Description	FY 2022/23	FY 2021/22
	Kshs	Kshs
Fuel and Lubricants	180,000	160,824
Travel and accommodation allowance	110,000	111,090
Printing and stationery	132,700	131,000
Water and sewerage costs	24,900	39,090
Telephone and mobile phone services	60,000	80,000
Internet expenses	10,430	271,890
Staff training and development	0	120,000
<b>Total General Expenses</b>	<b>1,679,406</b>	<b>1,830,607</b>

### 13. Cash And Cash Equivalents

Description	FY 2022/23	FY2021/22
	KShs	KShs
Current accounts	1,235,030	1,183,558
<b>Total cash and cash equivalents</b>	<b>1,235,030</b>	<b>1,183,558</b>

*(The amount should agree with the closing and opening balances as included in the statement of cash flows)*

#### 13 (a). Detailed Analysis of Cash and Cash Equivalents

Description		FY 2022/23	FY 2021/22
Financial institution	Account number	KShs	KShs
<b>a) Current account</b>			
Co-operative Bank		1,235,030	1,183,558
<b>Sub- total</b>		<b>1,235,030</b>	<b>1,183,558</b>
<b>b) On - call deposits</b>			
<b>Grand total</b>		<b>1,235,030</b>	<b>1,183,558</b>

### 14. Receivables From Exchange Transactions

Description	FY 2022/2023	FY 2021/2022
	KShs	KShs
Medical services receivables	2,300,230	6,078,350
<b>Total receivables</b>	<b>2,300,230</b>	<b>6,078,350</b>

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**15. Inventories**

Description	FY 22/2023	FY 2021/2022
	KShs	KShs
Pharmaceutical supplies	xxx	xxx
Maintenance supplies	xxx	xxx
Food supplies	xxx	xxx
Linen and clothing supplies	xxx	xxx
Cleaning materials supplies	xxx	xxx
General supplies	xxx	xxx
Less: provision for impairment of stocks	(xxx)	(xxx)
<b>Total</b>	<b>xxx</b>	<b>xxx</b>

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**16. Property, Plant and Equipment**

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
<b>Cost</b>								
At 1 July 20XX (previous year)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Additions	xxx	xxx	xxx	xxx	-	-	xxx	xxx
Disposals	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)
Transfers/adjustments	xxx	xxx	(xxx)	xxx			xxx	(xxx)
<b>At 30<sup>th</sup> Jun 20XX</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>
At 1 July 20XX (current year)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Additions	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Disposals	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)
Transfer/adjustments		xxx		xxx			(xxx)	-
<b>At 30<sup>th</sup> Jun 20XX</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>
<b>Depreciation and impairment</b>								
At 1 July 20XX (previous year)		xxx	xxx	xxx	xxx	xxx		xxx
Depreciation for the year		xxx	xxx	xxx	xxx	xxx		xxx
Disposals		(xxx)	(xxx)	(xxx)	(xxx)	(xxx)		(xxx)
Impairment		(xxx)	(xxx)	(xxx)	(xxx)	(xxx)		(xxx)
<b>At 30 June 20XX</b>		<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>		<b>xxx</b>

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Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
At July 20XX (current year)		xxx	xxx	xxx	xxx	xxx		xxx
Depreciation		xxx	xxx	xxx	xxx	xxx		xxx
Disposals		(xxx)	(xxx)	(xxx)	(xxx)	(xxx)		(xxx)
Impairment		(xxx)	(xxx)	(xxx)	(xxx)	(xxx)		(xxx)
Transfer/adjustment		xxx	-	xxx	-	-	(xxx)	(xxx)
<b>At 30<sup>th</sup> June 20XX</b>		<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>
<b>Net book values</b>								
At 30 <sup>th</sup> Jun 20XX (previous)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
At 30 <sup>th</sup> Jun 20XX (current)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx

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**17. Trade and other Payables**

Description	FY 2022/2023	FY 2021/2022
	KShs	KShs
Trade payables	241,726	241,726
<b>Total trade and other payables</b>	<b>241,726</b>	<b>241,726</b>

**18. Financial Risk Management**

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

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

**(i) Credit risk**

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2020</b>				
Receivables from exchange transactions	0.00	0.00	0.00	0.00
Receivables from –non-exchange transactions	0.00	0.00	0.00	0.00
Bank balances	0.00	0.00	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>At 30 June 2023</b>				
Receivables from exchange transactions	2,300,230	0.00	0.00	0.00
Receivables from –non-exchange transactions	0.00	0.00	0.00	0.00
Bank balances	1,235,030	0.00	0.00	0.00
<b>Total</b>	<b>3,535,260</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

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The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has significant concentration of credit risk on amounts due from xxxx

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

**(ii) Liquidity risk management**

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2022</b>				
Trade payables	0.00	0.00	0.00	0.00
Current portion of borrowings	0.00	0.00	0.00	0.00
Provisions	0.00	0.00	0.00	0.00
Deferred income	0.00	0.00	0.00	0.00
Employee benefit obligation	0.00	0.00	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>At 30 June 2023</b>	0.00	0.00	0.00	0.00
Trade payables	0.00	0.00	0.00	0.00
Current portion of borrowings	0.00	0.00	0.00	0.00
Provisions	0.00	0.00	0.00	0.00
Deferred income	0.00	0.00	0.00	0.00
Employee benefit obligation	0.00	0.00	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

**(iii) Market risk**

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

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

**a) Foreign currency risk**

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

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

	<b>KShs</b>	<b>Other currencies</b>	<b>Total</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>At 30 June 2023</b>			
Financial assets (investments, cash, debtors)	0.00	0.00	0.00
Liabilities			
Trade and other payables	0.00	0.00	0.00
Borrowings	0.00	0.00	0.00
Net foreign currency asset/(liability)	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

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

**Notes to the Financial Statements (Continued)**

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	KShs	Other currencies	Total
	Kshs	Kshs	Kshs
<b>At 30 June 2022</b>			
Financial assets (investments, cash, debtors)	0.00	0.00	0.00
Liabilities			
Trade and other payables	0.00	0.00	0.00
Borrowings	0.00	0.00	0.00
Net foreign currency asset/(liability)	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

**Foreign currency sensitivity analysis**

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

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
<b>20xx</b>			
Euro	10%	0.00	0.00
USD	10%	0.00	0.00
<b>20xx</b>			
Euro	10%	0.00	0.00
USD	10%	0.00	0.00

**b) Interest rate risk**

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

**Management of interest rate risk**

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

**Notes to the Financial Statements (Continued)**

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**Sensitivity analysis**

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of financial performance if current floating interest rates increase/decrease by one.

**iv) Capital Risk Management**

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

	2021/22	2020/21
	Kshs	Kshs
Revaluation reserve	0.00	0.00
Retained earnings	0.00	0.00
Capital reserve	0.00	0.00
<b>Total funds</b>	0.00	0.00
Total borrowings	0.00	0.00
Less: cash and bank balances	(0.00)	(0.00)
Net debt/ ( <i>excess cash and cash equivalents</i> )	0.00	0.00
<b>Gearing</b>	0.00%	0.00%

**Notes to the Financial Statements (Continued)**

**19. Related Party Balances**

**Nature of related party relationships**

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

**Government of Kenya**

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

- i) The National Government;
- ii) The Parent Ministry;
- iii) Key management;
- iv) Board of directors;

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Description	2021/22	2020/21
	Kshs	Kshs
<b>Transactions with related parties</b>		
<b>a) Services offered to related parties</b>		
Services to xxx	0.00	0.00
Sales of services to xxx	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>
<b>b) Grants from the Government</b>		
Grants from County Government	0.00	0.00
Grants from the National Government Entities	0.00	0.00
Donations in kind	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>
<b>c) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for xxx employees	0.00	0.00
Payments for goods and services for xxx	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>
<b>d) Key management compensation</b>		
Directors' emoluments	0.00	0.00
Compensation to the medical Sup	0.00	0.00
Compensation to key management	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**20. Events after the Reporting Period**

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

**21. Ultimate and Holding Entity**

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

**22. Currency**

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

**23. Appendices**

**Appendix 1: Progress on Follow Up of Auditor Recommendations**

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

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

**Guidance Notes:**

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

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Accounting Officer



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