

REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**MOLO LEVEL 4 SUB-COUNTY  
HOSPITAL**

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

**COUNTY GOVERNMENT OF NAKURU**

PAPERS LAID	
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OFFICE OF THE AUDITOR GENERAL  
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**MOLO SUB COUNTY (LEVEL 4) HOSPITAL  
(NAKURU COUNTY GOVERNMENT)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

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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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## **1. Acronyms & Glossary of Terms**

CECM	County Executive Committee Member
CME	Continuous Medical Education
CSR	Corporate Social Responsibility
EMR	Electronic Medical Records
Fiduciary Management	Key management personnel who have financial responsibility in the Hospital.
HMC	Hospital Management Board
HMT	Hospital Management Team
IPC	Infection Prevention Control
MED SUP	Medical Superintendent
NHIF	National Health Insurance Fund
OSHA	Occupational Health & Safety Act
PFMA	Public Financial Management Act
PMTCT	Prevention of Mother to Child Transmission
CEPI	Coalition for epidemic preparedness innovations
UTJ	USAID Tujenge jamii
KEMRI	Kenya medical research institute
NHIF	National health insurance fund
ENT	Ear Nose and Throat
ICT	Information and communication technology
KMTC	Kenya Medical Training College
NSSF	National social security fund

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

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

Molo Sub County Hospital is a level 4 hospital established under gazette notice Vol. LXXV -No. 10 dated 2<sup>nd</sup> March 1973 and is domiciled in Nakuru County. The hospital is governed by a Board of Management.

Molo Sub County Hospital was built around October 1946 by the British Colonist as an outstation to serve the local community and its environments. In 1952 it was elevated to a cottage hospital under Doctor A.H. Macleon who was the first District Surgeon.

In 1955, the then Nakuru County Council started to run it until independence when the hospital was upgraded to a Health Centre. In 1978, the facility was upgraded to a Sub District Hospital and then to a full District Hospital in 2008. After the promulgation of the current constitution, Health Services were devolved, thus the hospital was taken up by Nakuru County Government and has recently been gazetted as Molo Sub County Hospital.

The hospital stands on an approximately ten (10) hectares of land. Two (2) hectares of land was donated to Kenya Medical Training College for the construction of a KMTC. Part of the hospital land is encroached on by an intruder. The case vide file documents, has been on and off but currently the matter was forwarded to Nakuru County Government through Health Department.

The hospital serves a catchment population of 60115 which covers a total of 59km<sup>2</sup>. The facility serves as a regional referral hospital for the smaller facilities around and neighbouring Sub County Hospitals.

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

The principal activity/mission/ mandate of the hospital is to provide quality preventive, curative and referral care services. We offer both inpatient/outpatient services, MCH and Maternity services under Linda Mama program and NHIF services. Other services include: dental, eye, physiotherapy, ortho trauma, paediatric, ENT, comprehensive care centre, counselling and nutritional services.

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

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

- County department of health
- Board of Management
- Accounting Officer/ Medical Superintendent
- Head of departments

**(d) Fiduciary Management**

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

o.	Designation	Name
.	Medical Superintendent	Dr. Warui GKB
.	Head of finance	Kirui Reuben
.	Head of supply chain	Chebii Felix
.	Administrator	Edward Omondi
.	Nursing Officer In charge	Josphine Ndegwa

**(e) Fiduciary Oversight Arrangements**

**i. Therapeutic Committee**

Guide the hospital on how to treat various patients  
 Check the ideal practices of the hospital

**ii. Executive Expenditure Committee**

Guide the management on the use of the available resources  
 Determine the amount of resources available and how to allocate resources

**iii. Health Management Committee**

Provide a linkage between the hospital and the community  
 Involve in the approval of the quarter budget

**iv. Health Management Committee**

This is the supreme hospital management body  
 Involved in the drafting of the Annual Work Plan  
 Involved in budget making and approval

**v. Waiver Committee**

Determines how to assist members of the public who are stranded due to lack of finance/lack of insurance cover. So that they are not denied treatment due to their low financial status

**(f) Entity Headquarters**

P.O. Box 156-20100  
Molo law courts road  
NAKURU, KENYA

**(g) Entity Contacts**

Telephone: (+254) 0701008540  
E-mail: dmsomolo@gmail.com  
Website: www.go.ke

**(h) Entity Bankers**

Accounts name: ..... Molo District Hospital  
Accounts Number:..... 0100101933200  
Bank Name:.....National Bank of Kenya – Molo Branch

**(i) Independent Auditors**

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




**(j) Principal Legal Adviser**

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





**(k) County Attorney**

Nakuru County Government  
P.O. Box. 2870-20100  
Nakuru, Kenya

### 3. The Board of Management



Ref	Directors	Details
1.	<p>Chairperson George G. Mungai</p> 	<p>George Mungai is the chairman of the board , He is 67 years old and holds a Diploma in Education and a Diploma in Guidance &amp; Counselling, he is currently a Farmer/Businessman.</p>
2.	<p>D. Chairperson Wairimu Kanyiri</p> 	<p>Wairimu Kanyiri is a O' Level graduate Age;54 years, a community mobilizer and a Farmer/Business lady</p>
3.	<p>Service Delivery Chairperson - Edward Nganga</p> 	<p>Edward Nganga is a member of the board and also the service delivery chairperson. He has a Diploma Community Development/Social Work aged 34 Years. Profession: Social Work</p>
4.	<p>Finance Chairperson - Keffa Omuyoma</p>	<p>Keffa Omuyoma is a board member and also the finance chairperson. He holds a Diploma in Human Resource management, he is 49 Years old Profession: Businessman</p>

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5.	<p>Medical Superintendent Dr. Bernard Warui</p> 	<p>Dr Warui Benard is a 56-year-old dental surgeon who has practiced and served in various management positions within the health department. <b>Has 8 years' experience as a deputy medical superintendent, 3 years as a medical superintendent in bahati, 5 years in Molo.</b> He is a member of the Kenya dental association.</p>
6.	<p>Julius Koskei Member</p> 	<p>Julius Koskei is a member of the board, . <b>He has a bachelor's degree in education (Science).</b> He is a teacher and is 45 years of age.</p>
7.	<p>Joseph Obara Member</p> 	<p>Joseph Obara is a board member, holds a Diploma in Pharmaceutical Technology/HD Clinical Pharmacy Age: 72 Years Profession: Pharmaceutical Technologist</p>

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8.	<p>Maurice Oketch Member</p> 	<p>Maurice Oketch is a board member. He done a course in Business Administration, Age: 51 Years Profession: Pastor/Religious</p>
9.	<p>Jemimah Kuria Member</p> 	<p>Jemimah Kuria is a board member, holds a Diploma in Guidance &amp; Counselling Age: 69 Years Profession: Retired Teacher</p>

**4. Management Team**



Ref	Management	Details
1.	<p>Medical Superintendent Dr. Benard Warui</p> 	<p>Dr Warui Benard is a 56-year-old dental surgeon who has practiced and served in various management positions within the health department. Has 8 years' experience as a deputy medical superintendent, 3 years as a medical superintendent in bahati, 5 years in Molo. He is a member of the Kenya dental association.</p>
2.	<p>Administrator Edward Omondi</p> 	<p>Edward Omondi is the hospital administrator and also a board member. He holds a Master's in public administration (MPPA). He is 35 years of age and has 8 years' work experience Profession; Public administrator</p>
3.	<p>Nursing Officer In charge Josephine Ndegwa</p> 	<p>Josephine Ndegwa is the nursing officer in charge. She is a Kenya registered community health nurse. Has a degree in nursing. Has more than 10 years of experience</p>
5	<p>Accountant Reuben Kirui</p> 	<p>Reuben kirui is the hospital accountant, holds a Bachelors of arts (economics) a CPA Graduate. Has 11 years work experience and is 43 years old.</p>

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6	<p>Accountant Mercy Wanza Mukwayu</p> 	<p>Mercy Wanza is the hospital accountant, has a Bachelor of commerce (Finance), a Certificate in management and CPA advanced level, she is 30 years old.</p>
7	<p>Laboratory in charge George Birundu Moturi</p> 	<p>George Moturi is the charge, Laboratory. Has a Degree in medical laboratory sciences. He is 47 years old and has more than 10 years work experience.</p>
8	<p>Head of health records Joseph Gitau Karanja</p> 	<p>Joseph Gitau is the head of Records HRIO. Did SHRIO tertiary level from KMTC Nairobi. He is 58 years old and has more than 10 years of experience</p>

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9	<p>Procurement Felix Chebii</p> 	<p>Felix Chebii is in charge of the procurement department. Has a Bachelor of purchasing and supplies management. 33 years of age and more than 5 years' experience.</p>
10	<p>Alice Wanjiru In charge of clinical officers</p> 	<p>Alice Wanjiru is the in charge of the hospital clinical officers. Has a higher diploma in clinical medicine. 58 years old and has 8 years work experience</p>

**5. Chairman's Statement**

It's my pleasure to present the annual report and financial statements of the hospital 2021/2022.

The board of management is impressed of the achievements of the hospital.

I'm particularly impressed by the Positive attitude of staff and their commitment to give the best possible services to patients. Medical consultants, Mother child health care, Maternity services, Physio therapy services, laboratory among others are the services carried on. The facility has been upgraded from a health Centre to a level 4 sub county hospital.

The County Government has supported in renovations and uplifting the face of the facility.

Regulatory environment management and operations of the hospital is guided by the existing policies and institutional frameworks that govern health sector. The 2010 Kenyan Constitution under the Bill of rights provides the right to the highest standards of health services including Reproductive health care services and health care service providers including health products and technologies.

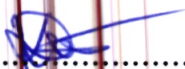
As a hospital we continue experiencing challenges that call for continuous improvement of quality services to the customers.


The board remains focused on providing resources and supporting initiatives that will sustain molo level 4 sub county hospital in a leadership position in the health care sector.


On behalf of the board, I want to thank all our stakeholders, development partners and the County Government of Nakuru for the continuous support without which our achievements would not have been realised.

I Wairimu Kanyiri (vice chair) would like to express my gratitude to Molo level 4 subcounty hospital staff, specialists, consultants and team leaders not forgetting the Board who take pride in their work and who exemplifies our hospital 's mission and values each day.

Last but not least, I believe that our strategy and the staff in place will consistently drive our growth in the future as been the case over the years

Sign;.....

Name;.....

 Chairman to the Board

**6. Report of The Medical Superintendent**

Molo Sub County Hospital was founded in the year 1946, as a health centre, with the aim of offering primary health services in Molo. It has continued to grow from these humble beginnings to the current level IV hospital. In the last two years, in spite of COVID-19 pandemic and the current volatile and unstable global economic challenges, we have achieved a large part of our goal in delivering to our esteemed patients and clients quality health services.

The hospital’s partnership with other stakeholders like KEMRI, CEPI, UTJ, and other training institutions have achieved a large part of our research and training goals. We have openly shared best practices across our hospitals to deliver a better patient experience, increased employee opportunities and greater investment in facilities and equipment. We should all feel proud of the positive culture and excellent client reputation we’ve built in over the period of time the hospital has been in existence. Molo Sub County hospital’s name has become synonymous with quality of patient care and health workers experience. Our culture openly supports collaboration and innovation. It is the exceptional care delivered every day, to every patient, across each of our hospital’s departments that has built this reputation. To assist national recognition of these attributes, the County Government of Nakuru has invested in building a new outpatient Block; ongoing which will go along way in further improving our services and health workers experience

Ultimately, our goal is to ensure that the services offered in the hospital remains sustainable and affordable to the patients. We believe that the hospital is ideally positioned to lead in offering Preventive, rehabilitative, promotive and curative services and to demonstrate proof of new and other best practices, from our research and training department that can be emulated by others.

**Challenges Faced:**

- 1. **Resource Constraints:** Despite the successes, resource constraints remained a challenge, affecting the hospital's capacity to invest in advanced technology and maintain optimal staffing levels.
- 2. **Healthcare Staff Shortages:** The healthcare sector continued to face shortages of skilled medical professionals, leading to workload challenges. The county however is working on increasing the workforce to enable us provide patient centered care.

**The Way Forward:**

- 1. **Resource Mobilization:** We will actively seek partnerships and funding opportunities to address resource constraints and invest in advanced medical technology.
- 2. **Workforce Development:** We will continue to prioritize staff training and recruitment efforts to address healthcare staff shortages. We will pester the county management until they employ more staff to ease the strain.

Sign;.....  
Name;.....  
for Secretary to the Board

**MEDICAL SUPERINTENDENT**  
**MOLO SUB-COUNTY HOSPITAL**

**7. Statement of Performance Against Predetermined Objectives**

Molo Sub County Hospital develops its annual work plans based on the below 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 2021/2022 period for its five strategic pillars, as indicated in the diagram below:

1. Provide essential medical services
2. Minimize exposure to health risk factors
3. Leadership and governance
4. health care financing
5. Reduce the burden of violence & injuries

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar/ theme/ issue 1: Provide essential medical services	-Promote health education and nutrition counseling -Establish youth friendly services -Enhance peer counseling -Strengthen school health programs -Enhancing and promotions of health education -Encourage mothers to start ANC before 12 weeks gestation --CHV’S to enhance health education to the community -Health education on the importance of attending ANC& PNC.	<b>-Mitigate against new born birth complications</b> <b>-Teenage pregnancies</b>	-Train nurses on new born care -Purchase commodities & supplements.  -purchase appropriate equipments	-staff training done  -Purchase commodities & supplements done.

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	<ul style="list-style-type: none"> <li>-Counsel the community on income generating activities</li> <li>-Seek for political good will.</li> </ul>			
<p>Pillar/ theme/ issue 2:</p> <p>Minimize exposure to health risk factors</p>	<ul style="list-style-type: none"> <li>-Create a room for youth friendly center and form support groups.</li> <li>-Train and avail relevant personnel</li> <li>- Education especially through school based outreaches and sensitizes teachers on the needs of the adolescents.</li> <li>-Sensitize the community on the rights of the adolescents and refer the affected to the relevant authorities.</li> <li>- Health education and counseling in schools, homes and churches.</li> </ul>	<ul style="list-style-type: none"> <li>-poor PNC attendance</li> <li>-Low FP intake</li> <li>-Lack knowledge on FP</li> <li>-Misleading, myths, believes, and misconceptions</li> </ul>	<ul style="list-style-type: none"> <li>- Health education of the community on PNC</li> <li>- Advise community on social cultural beliefs on FP methods</li> <li>Health education of the community on proper use of the contraceptives as prescribed.</li> </ul>	<ul style="list-style-type: none"> <li>-staff training done</li> <li>-community outreaches partially done</li> </ul>
<p>Pillar/ theme/ issue 3:</p> <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</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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			returns to county.	
Pillar/ theme/ issue 4: health care financing	<ul style="list-style-type: none"> <li>-To increase revenue generation</li> <li>-Empower staffs on prudent financial management</li> </ul>	<ul style="list-style-type: none"> <li>-Revenue reports</li> <li>-% Increase in revenue</li> <li>-Empower departmental in charges on financial management</li> <li>-Strengthen use financial and procurement policies</li> </ul>	<ul style="list-style-type: none"> <li>-Expand service menu</li> <li>-Regular staff training and capacity building</li> <li>Support supervision and audit reports</li> </ul>	<ul style="list-style-type: none"> <li>-Increased revenue generation</li> <li>-Available procurement and financial management SOPs and guidelines.</li> <li>-Sealed revenue leakages.</li> </ul>
Pillar/ theme/ issue 5: Reduce the burden of violence & injuries	<ul style="list-style-type: none"> <li>- Revive emergency &amp; disaster preparedness Team</li> <li>- Construction of proper CSSD</li> <li>-Construct casualty department</li> <li>- Purchase of X-ray consumable supplies.</li> <li>-Purchase badges for the emergency &amp; disaster preparedness team.</li> <li>- Capacity builds staff on emergency preparedness</li> <li>-Hire additional ambulance personnel (Paramedic)</li> <li>-Regular servicing &amp; repair of the ambulance.</li> <li>- Timely notification</li> </ul>	<p><b>ROAD ACCIDENTS</b></p> <ul style="list-style-type: none"> <li>(a)- Inadequate emergency preparedness.</li> <li>(b) -Inefficient referral system in place.</li> <li>(c) – poor collaboration with other agencies e.g. police &amp; Red cross.</li> <li>(d) Community interference in service delivery in cases of accidents / disasters.</li> </ul>	<ul style="list-style-type: none"> <li>- Revive emergency &amp; disaster preparedness Team</li> <li>-Construct casualty department</li> <li>-Hire additional ambulance personnel (Paramedic)</li> <li>-Regular servicing &amp; repair of the ambulance.</li> <li>- Timely notification to and from the referring facility.</li> </ul>	<ul style="list-style-type: none"> <li>-Ambulance regularly serviced, in good condition</li> <li>-Staff training done on emergency preparedness</li> </ul>

	<p>to and from the referring facility.</p> <ul style="list-style-type: none"> <li>-Enhance inter-sectoral collaboration/communication to ensure rapid response to accidents /disasters.</li> <li>-Schedule quarterly inter-sectoral meetings with other agencies to address challenges</li> <li>- Convene community dialogue days to sensitize the community on proper management of accident/disasters e.g.to keep distance during accidents/disasters.</li> </ul>			
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## **8. Corporate Governance Statement**

The hospital is headed by the Medical Superintendent who acts the accounting officer and the Secretary to the Management Committee. The Medical Superintendent normally oversees the daily operation of the hospital for all departments. He also sets the strategic plan and annual work plan to be cascaded to all departments while developing their respective performance appraisal.

For the year that has ended, the facility held twelve head of departments meetings that normally form basis for the board meetings. Also, we held four quarterly HMC meetings with an overall attendance of 99%.

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.
- x) Approving annual budgets.

**HMC Members**

Gazetted HMC members – Molo Sub County Hospital

<b>NO.</b>	<b>NAME</b>	<b>DESIGNATION</b>	<b>TITLE</b>	<b>MOBILE NUMBER</b>
1.	MR. GEORGE G. MUNGAI		CHAIRMAN	0722386331
2.	M/S. WAIRIMU KANYIRI		VICE CHAIR	0724775708
3.	MR. JULIUS K. KOSKEI		MEMBER	0724434142
4.	MRS. JEMIMAH N. KURIA		MEMBER	0722899102
5.	MR. KEFFA OMUYOMA		MEMBER	0722383637
6.	MR. MOURICE OKETCH		MEMBER	0729422037
7.	MR. JOSEPH N. OBARA		MEMBER	0743280066
8.	MR. EDWARD NGANGA		MEMBER	0729507280
9.	DR. WARUI G.K.B.	MEDICAL SUPERINTENDENT	SECRETARY	0722995686
<b>CO-OPTED MEMBERS</b>				
10.	WARD ADMINISTRATOR: -			
11.	AREA MCA:NGWARE			
12.	MR. EDWARD OMONDI	HEALTH ADMINISTRATOR		
13.	MR. REUBEN KIRUI	HOSPITAL ACCOUNTANT		

**SUB-COMMITTEES**

1. The members appointed to the Finance and General Purpose Sub-committee are:-
  - i) Mr. Keffa Omuyoma Chairman
  - ii) Mrs. Jemimah N. Kuria Vice-Chair
  - iii) Mr. Julius K. Koskei Member
  - iv) Three other members drawn from the Hospital Management Team (HMT)

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2. The members appointed to the Quality of Healthcare Service Sub-committee are: -
- i) Mr. Edward Nganga Chairman
  - ii) M/S. Wairimu Kanyiri Vice-Chair
  - iii) Mr. Joseph N. Obara Member
  - iv) Three other members from the facility Hospital Management Team.
3. The members appointed to the Infrastructure Sub-committee are: -
- i) Mr Maurice Oketch Chairman
  - ii) Hon. Michael Njoroge Vice-Chair
  - iii) Three other members from the facility Hospital Management Team.

**Board Remunerations**

The following schedule, determined by the Leadership and Governance Committee under the leadership of CECM Health Services, shows compensation by type paid to the Health Management Board members at each committee meeting attended. These rates shall continue to apply until the Salaries and Remuneration Commission revises them in consultation with the Public Service Commission of Kenya and communicated to the County Governments.

**ALLOWANCES FOR HFMCB**

	LEVEL 5	LEVEL 4 HIGH VOLUME	LEVEL 4 LOW VOLUME
1. CHAIRPERSON	15,000	6,000	4,000
2. VICE CHAIRPERSON	12,000	6,000	3,500
3. MEMBER	10,000	4,000	3,000
4. LUNCH	3,000	2,500	1,000
5. P.A FOR MEMBER PWD	2,000	2,000	1,000
6. SUB COMMITTEES	6,000	3,000	1,500
7. MEMBERS ON SPECIAL ASSIGNMENT/PUBLIC TRANSPORT & LUNCH REIMBURSEMENT	6,000	4,000	2,000



**Ethics and Conduct:**

- The board upholds high ethical standards and a code of conduct that guides the behavior of its members.

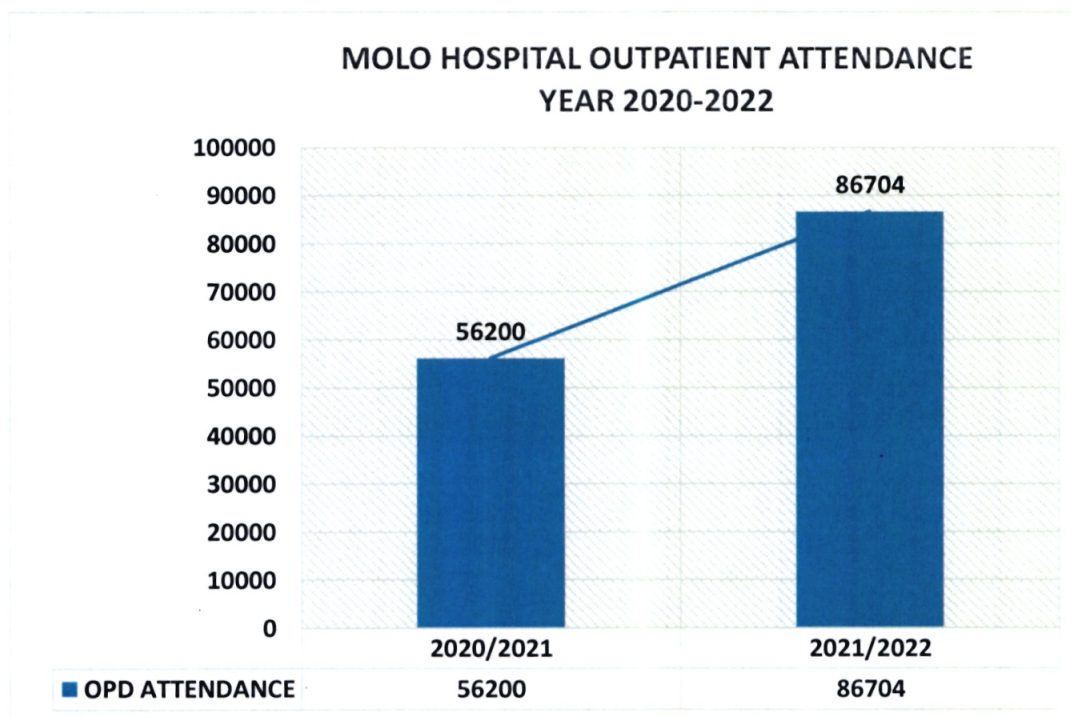
**9. Management Discussion and Analysis**

The facility offers both outpatient and inpatient medical Care Services

The OPD workload based on financial year 2021/2022 data both new clients and re-visits are shown as below:-

**General outpatient (Filter Clinic) Attendance**

Data element	New clients	Re-visits	Total
OPD attendance >5yrs Male	9583	12458	22041
OPD attendance >5yrs Female	12866	22957	35823
OPD Attendance <5yrs Male	3186	10072	13258
OPD Attendance <5yrs Female	3098	8908	12006
Over 60 years	958	2618	3576
<b>TOTAL</b>	<b>29691</b>	<b>57013</b>	<b>86704</b>



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General Inpatient

**Hospital Administrative Statistics**

	Bed s	cots	admissi on	Discharge s	trans fers in	transfer s out	deat hs	absco nders	well people	OBD
Medical ward Male	24		1107	914	1	54	94	16		5601
Medical ward Female	16		1128	992		46	60	3		6163
Maternity Ward	24		2780	2361		5	1			8650
Labour Ward										
Paediatric Ward	8		653	618		13	42			2561
Nursery/Neonata Ward	2	2	237	170		22	37		110	1744

**Under 5 top ten diseases**

1	Upper Respiratory Tract Infections	3206
2	Pneumonia	2244
3	Diarrhoea with no dehydration	747
4	Eye Infections	625
5	Other injuries	263
6	Burns	101
7	Urinary Tract Infections	98
8	Gastroenteritis	82
9	Ear infection	64
10	Confirmed malaria	61

**Over 5 top ten diseases**

1	Hypertension	2412
2	Upper Respiratory Tract Infections	2392
3	Other injuries	2024
4	Pneumonia	1884
5	Urinary Tract Infections	1577
6	Eye Infections/Conditions	1383
7	Diabetes	848
8	Arthritis, Joint pains etc.	773
9	Diarrhoea	606
10	Violence related injuries	537

**FIF: Facility Improvement Fund**

FIF being the main source of hospital revenue is key towards hospital budget programs.

Average Daily Collections:	100,000
Average Monthly Collections:	3,000,000
Quarterly Collections:	9,000,000

Apart from cash collection the hospital management introduced M-Pesa payments whereby the amount paid in is reflected on the bank statement. M-Pesa pay bill machine was bought and installed to print out receipts for patients and at the same time can produce statement print out for reference purposes.

**Expenditure: -**

Monthly Recurrent Expenditure:	2,372,600
Quarterly Recurrent Expenditure:	7,117,800

**Compliance with Statutory Requirements:**

- The hospital maintains full compliance with all regulatory and statutory requirements, including licensing, safety, and healthcare standards. This is evidenced by the compliance certificates and licenses.

**Major Risks Facing the Organization:**

1. **Economic Uncertainty:** Fluctuations in the revenues and delays by the National Health Insurance Fund (NHIF) and Linda Mama to reimburse the hospital leads to financial instability.
2. **Staffing Challenges:** This is a huge and perennial challenge. The few committed staff are strained to provide quality service.
3. **Debt:** There is a huge debt which keeps rising due to the financial challenges.

Sign:.....

Name:.....

Secretary to the Board



## **10. Environmental and Sustainability Reporting**

### ***i) Sustainability strategy and profile***

The principal activity/mission/ mandate of the hospital is to provide quality preventive, curative and referral care services. At the hospital level, we have the FIF which is run through hospital executive expenditure committee that refines budgets, expenditure plans strategic and annual work plans. The hospital management committees that comprise of heads of department is responsible for establishing departments need and forward to the executive expenditure committee, day to day running of the departments.

In order to ensure the hospital remains relevant and grows, the medical superintendent plays a critical role of providing a framework of team work and multidisciplinary approach. He should ensure the hospital has acceptable culture by incorporating human resource from different culture orientation and with various knowledge and skills.

Time management is of essence and the institution has strived to make it a routine that patients are managed seamlessly across all departments.

To improve the revenue collection, the hospital moved from cash collection to M-Pesa payments whereby the amount paid in is reflected on the bank statement. M-Pesa pay bill machine was bought and installed to print out receipts for patients and at the same time can produce statement print out for reference purposes.

### **ii) Environmental performance**

There is a clear policy on waste management, however an incinerator is most recommended for segregation of the hospital waste since the existing burning chamber is not functioning. Hospital kitchen also needs renovation. The construction of the hospital mortuary was of great help to the society however it also needs some improvements.

### **iii) Employee welfare**

The hiring process is under the county public service board. The hospital has staff trainings, mentorship and career welfares to enhance staff skills. The staff are well equipped with the necessary tools that enable them to do their work of saving life

Monthly staff return plays a critical role in establishing the distribution of staffs within the hospital. Different categories of staffs exist in the facility such as permanent and pensionable, county contracted, UHC contracted, partner contracted (UTJ) and hospital contracted.

The contract usually runs for a period of three renewable months for hospital contracts while for county contracted runs for a maximum of three years.

The Staff are largely classified as Technical, and non-Technical working in different departments

The non- technical staffs mainly report to the office of the hospital administrator who is their immediate supervisor. Their induction, welfare, disciplinary, target process are normally handled by the administrator.

All staffs are entitled to days off and leave as stipulated in their respective engagement framework.

**iv) Market place practices-**

**a) *Responsible competition practice.***

The hospital makes sure they provide quality service and that the necessary drugs are stocked. We operate in an environment whereby we are guided by the Kenya Constitution 2010 that calls for adhering to integrity as enshrined in Chapter Six. Also, our staffs are affiliated to various professional bodies like Nursing Council, Kenya Medical and Dentist Board, Pharmacy and Poisons Board among others that regulate these professions by ensuring they align to the code conducts and ethics in their duty.

Moreover, there are other manuals and Acts which are in existence that are all aimed at ensuring that service delivery is fair, transparent and non-discriminatory. They include Human Resource Manual, 2016 and policies, Employment Act, 2007 and Public Finance Management Act, 2012 among others.

The hospital is strategically located within the reach of many. In this regard, clients can access the services easily. Also, the staffs are skilled enough and need to attend continuous medical education (CME) every week within the hospital and the trainings in order to sharpen their skills. With a well-motivated and trained team, the community normally seek their services from the facility.

**b, Responsible Supply chain and supplier relations**

Procurement of goods and services within the hospital is governed by the Public Procurement and Asset Disposal Act, 2015 and the revised edition, 2022. We get our supplies from various sources with the department of health supporting to some extent in the supply of pharmaceuticals, non-pharmaceuticals and laboratory reagents.

KEMSA supplies donor funded program commodities like ARVS, anti TBs, Malaria, Reproductive health and Nutrition supplements.

The hospital also procures from the prequalified suppliers as guided by the procurement department. Before any procurement is commenced, a requisition must first be raised by the user department, its then sent to the procurement, then to the accounts and finally to medical superintendent who can either approve it or reject it giving reasons.

**C) Responsible marketing and advertisement**

By nature of the services we offer, marketing and advertisement is prohibited. However, we inform the community about our services through displaying an updated service charter, notice board and through public participation/Barazas.

In the event the hospital introduces a new service, we send the notices to various religious organisations, schools and sub county administration for announcement.

**d) Product stewardship**

The products that are directly consumed by the patients in their course of service delivery are usually safe, quality assured and registered for that particular use. This is verified during procurement process by scrutinising suppliers to ensure they meet all laid down requirements. Items donated by well-wishers and partners always undergo thorough inspection and are only allowed in if the hospital is in need of them.

Parameters which are checked includes date of manufacture, name of the manufacturer, language on the label/inserts and storage condition. Items that are almost expiring, with foreign instructions and language are usually rejected.

Routine stock taking to ascertain expiry dates among other indicators happens every month whereby stocks that face short expiry or are overstocked get redistributed to other health facilities in exchange with long expiry one.

**e) Corporate Social Responsibility / Community Engagements**

Preventive health care being one of the three approaches to the facility health delivery focus, the hospital engages the community through community health volunteers CHVs. During such meetings and engagements, the community is educated in respect to general cleanliness, water, sewerage commonly known as WASH- water and sanitation hygiene.

Our recruitment for hospital contracted staffs mainly prioritizes on the community applicants. This is basically aimed at ensuring that the hospital gives job opportunities to the community.

The hospital has contracted local suppliers for perishable food including meat, milk, vegetables, bread . This contributes to the hospital having a good relationship with the community, because they support us as we support them

### **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, 2022, which show the state of the hospital's affairs.

#### **Principal activities**

The principal activities of Molo Sub-County Hospital are to continue providing quality and affordable preventive, promotive, rehabilitative and curative health services in Molo sub county and its environs.

#### **Results**

The results of Molo Sub-County Hospital for the year ended June 30, 2022 are set out on pages 1 to 5.

#### **Board of Management**

The members of the Board who served during the year are shown on page vii-ix

#### **Auditors**

The Auditor General is responsible for the statutory audit of the *hospital* in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 or XYZ Certified Public Accountants were nominated by the Auditor General to carry out the audit of the *hospital* for the period ended June 30, 2022 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board

Sign:.....

Name: *Danise Barasa*

*D* Secretary to The Board



## **12. Statement of Board of Management's Responsibilities**

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

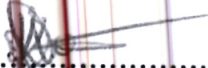
The Board of Management is responsible for the preparation and presentation of the Molo Sub-County Hospital financial statements, which give a true and fair view of the state of affairs of Molo Sub-County Hospital and as at the end of the financial year (period) ended on June 30, 2022. This responsibility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


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

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

**Approval of the financial statements**

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

  
.....  
Name: *Walter Omuyama*  
Chairperson  
Board of Management

  
.....  
Name: *Damian Moe*  
Accounting Officer

**MEDICAL SUPERINTENDENT**  
**MOLO SUB-COUNTY HOSPITAL**

# REPUBLIC OF KENYA

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NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON MOLO LEVEL 4 SUB-COUNTY HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2022 – 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 intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Molo Level 4 Sub-County Hospital - County Government of Nakuru set out on pages 2 to 27, which comprise of the

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*Report of the Auditor-General on Molo Level 4 Sub-County Hospital for the year ended 30 June, 2022 – County Government of Nakuru*

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

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

### **Basis for Qualified Opinion**

#### **1. Variances in Revenue from Rendering Services**

The statement of financial performance reflects rendering of services – medical service income amount of Kshs.70,525,757 as disclosed in Note 8 to the financial statements. Included in the amount is Kshs.27,472,541 being claims reimbursed from the National Health Insurance Fund (NHIF). However, NHIF records revealed an amount of Kshs.24,213,875 resulting to an unexplained variance of Kshs.3,258,666.

In the circumstances, the accuracy and completeness of revenue from rendering services amount of Kshs.27,472,541 could not be confirmed.

#### **2. Non-Disclosure of Property, Plant and Equipment**

The statement of financial position reflects Nil balance in respect of property, plant and equipment balance. However, review of Hospital records and physical verification carried out in the month of April, 2024, revealed various assets including land, buildings, motor vehicles, furniture, computers and equipment which were not disclosed in the financial statements. Further, the ownership documents for land were not provided for audit.

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

#### **3. Variances in Receivables from Exchange Transactions**

The statement of financial position reflects receivables from exchange transactions balance of Kshs.7,335,100 as disclosed in Note 15 to the financial statements. The amount relates to dues from National Health Insurance Fund (NHIF) whose records indicates a balance of Kshs.935,338 resulting to an unexplained variance of Kshs.6,399,762. Further, the amount has been outstanding for more than twelve (12)

months while the contract between the Hospital and NHIF indicates the period to pay genuine claims is within 30 days of submission.

In the circumstances, the accuracy, recoverability and completeness of the trade receivables balance of Kshs.7,335,100 could not be confirmed.

#### **4. Unconfirmed Inventories Balance**

The statement of financial position reflects inventories balance of Ksh.7,248,197 as disclosed in Note 16 to the financial statements. However, the stock take report as at 30 June, 2022 was not provided for review.

In the circumstances, the accuracy, completeness and valuation of the inventory balance of Kshs.7,248,197 could not be confirmed.

#### **5. Variances in Trade and Other Payables**

The statement of financial position reflects trade and other payables balance of Kshs.22,773,146 as disclosed in Note 18 to the financial statements. The balance includes Kshs.390,350 owed to Kenya Medical Supplies Authority Agency (KEMSA). However, corroborative records from the Authority indicated a nil balance occasioning an explained variance of Kshs.390,350.

In the circumstances, the accuracy, and completeness of the trade payable balance of Kshs 22 773,146 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Molo Level 4 Sub-County 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 judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

### **REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE 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

*Report of the Auditor-General on Molo Level 4 Sub-County Hospital for the year ended 30 June, 2022 – County Government of Nakuru*

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 medical services income of Kshs.70,525,757 as disclosed in Note 8 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 the Public Finance Management (County Governments) 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. Delayed Completion of Hospital Block**

Review of Hospital records revealed that a contract for the construction of an outpatient and in-patient block was awarded at a contract sum of Kshs.150,095,777. The works commenced on 6 May, 2021 for a contract period of forty (40) weeks. However, this duration lapsed but it was extended by twenty-one (21) weeks which also lapsed on 22 July, 2022 and with only works amounting to Kshs.57,879,454 being certified. Further, physical verification carried out in the month of April, 2024 revealed that the project was still under construction with an estimated completion level of 60%.

In the circumstances, value for money in the construction of an outpatient and in-patient block could not be confirmed.

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

The statement of financial performance reflects employee costs of Kshs.24,858,880 as disclosed in Note 10 to the financial statements. Review of payroll records revealed that Management engaged casual workers for more than three (3) months. However, this was contrary to the Public Service Commission of Kenya, Section B.16(1) of the County Public Service Human Resource Manual of May, 2013 which states that; Casual workers shall be engaged only on urgent short-term tasks with the approval of the County Public Service Board and they shall not be engaged for more than three months, as stipulated in the Employment Act (2007).

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 75 (Seventy-five) staff requirements or 76% of the authorized establishment.

Staff Requirements	Level 4 Standard	No. in Hospital	Variance	Percentage %
Medical Officers	16	5	11	69
Anesthesiologists	2	0	2	100
General Surgeons	2	1	1	50
Pediatrics	2	1	1	50
Radiologists	2	1	1	50
Kenya Registered Community Health Nurses	75	16	59	79
<b>Total</b>	<b>99</b>	<b>24</b>	<b>75</b>	<b>76</b>

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

Service	Level 4 Hospital Standard	Actuals in the Hospital	Variance	Percentage %
Beds	150	82	68	45
New Born Unit Incubators	5	3	2	40
New Born Unit Cots	5	4	1	20
Functional ICU Beds	6	0	6	100
High Dependency Unit (HDU) Beds	6	0	6	100
Renal Unit with atleast 5 Dialysis Machines	5	0	5	100
Two Functional Operational Theatres-Maternity & General	2	1	1	50

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

In the circumstances, 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, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

#### **1. Unfulfilled Orders for Pharmaceuticals and Non-pharmaceuticals**

Review of ordering records indicated the Hospital made quantity orders of 100,372 units for various medical commodities from Kenya Medical Supplies Authority out of which only 79,823 units or 80% of the orders were received resulting to unfulfilled orders of Kshs.20,549 or 20%.

In the circumstances, the effective management of pharmaceutical and non-pharmaceuticals stocks could not be confirmed.

#### **2. Expired Medical Supplies**

Review of the store records on pharmaceuticals and non-pharmaceuticals at the Hospital revealed that fifty thousand nine hundred and forty-four (50,944) units of various drugs of undetermined value had expired. Further, the stock cards used to issue drugs to various departments in the Hospital did not indicate the batch number and the expiry dates of the drugs.

In the circumstances, the effectiveness of internal controls on the management of pharmaceutical and non-pharmaceutical were not effective.

#### **3. Stock out of Essential Medical Supplies**

Review of the Hospital stock cards indicated that the Hospital experienced stock out of medical supplies ranging from four (4) days to three hundred and sixty-four (364) days.

In the circumstances, the effectiveness of internal controls on monitoring stock movement for both pharmaceutical and non-pharmaceutical were not effective.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, 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 control 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 the 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 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 review is planned and performed to express a conclusion with limited assurance as to 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 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 review of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

- Conclude on the appropriateness of Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Hospital to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Hospital to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

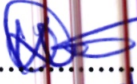
09 July, 2024


*Molo Sub-County Hospital (Nakuru County Government)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2022*

**14. Statement of Financial Performance for The Year Ended 30<sup>th</sup> June 2022**

Description	Notes	2021/22
		Kshs
<b>Revenue from non-exchange transactions</b>		
In- kind contributions from the County Government	6	
Grants from donors and development partners	7	16,577,621
<b>Revenue from exchange transactions</b>		
Rendering of services- Medical Service Income	8	70,525,757
<b>Total revenue</b>		<b>87,103,378</b>
<b>Expenses</b>		
Medical/Clinical costs	9	43,748,344
Employee costs	10	24,858,880
Board of Management Expenses	11	682,800
Repairs and maintenance	12	3,215,773
General expenses	13	11,209,707
<b>Total expenses</b>		<b>83,715,504</b>
<b>Net Surplus for the year</b>		<b>3,387,874</b>

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

  
 .....  
 Chairman *W. O. Ombuiyong* Head of Finance  
 Board of Management *for* ICPAK No:  
 ..... *20127*


  
 .....  
 Medical Superintendent *20 MAY 2024*  
  
 Sign.....  
 P.O. Box 156-20106, MOLO


*Molo Hospital (Nakuru County Executive)  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2022*

**15. Statement of Financial Position as at 30<sup>th</sup> June 2022**

Description	Notes	2021/22
		Kshs
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	14	11,317,723
Receivables from exchange transactions	15	7,335,100
Inventories	16	7,248,197
<b>Total Current Assets</b>		<b>25,901,020</b>
<b>Non-current assets</b>		
Intangible assets	17	260,000
<b>Total assets</b>		<b>26,161,020</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	18	22,773,146
<b>Total Liabilities</b>		<b>22,773,146</b>
<b>Net assets</b>		
Accumulated surplus/Deficit		3,387,874
Capital Fund		
<b>Total Net Assets and Liabilities</b>		<b>26,161,020</b>

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

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

  
 .....  
**Head of Finance**  
**ICPAK No:**  
 ..... 20727

  
 .....  
**Medical Superintendent**



**Molo Hospital (Nakuru County Executive)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2022**

**16. Statement of Changes in Net Asset for The Year Ended 30<sup>th</sup> June 2022**

	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2020	-	-	-	-
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	-	-	-
Capital/Development grants	-	-	-	-
As at June 30, 2021	-	-	-	-
At July 1, 2021	-	-	-	-
Revaluation gain	-	-	-	-
Surplus for the year	-	3,387,874	0	3,387,874
Capital/Development grants	-	-	-	-
At June 30, 2022	-	3,387,874	0	3,387,874

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

*[Signature]*  
 Chairman  
 Board of Management

*[Signature]*  
 Head of Finance  
 ICPAK No: 20727


*[Signature]*  
 Medical Superintendent  
 Sign: \_\_\_\_\_  
 P.O. Box 156-20106, MOLO

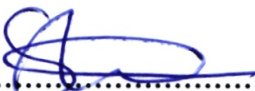



**17. Statement of Cash Flows for The Year Ended 30<sup>th</sup> June 2022**

Description	Note	2021/22 Kshs
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Rendering of services- Medical Service Income	8	70,525,757
<b>Total Receipts</b>		<b>70,525,757</b>
<b>Payments</b>		
Medical/Clinical costs	9	15,069,745
Employee costs	10	24,858,880
Board of Management Expenses	11	682,800
Repairs and maintenance	12	2,536,148
General expenses	13	10,798,747
<b>Total Payments</b>		<b>53,946,320</b>
<b>Net Surplus</b>	19	<b>6,415,583</b>
<b>Net cashflows from operating activities</b>	19	<b>6,415,583</b>
Cash and cash equivalents at 1 July 2021		4,902,140.35
<b>Cash and cash equivalents at 30 June 2022</b>	14	<b>11,317,723.35</b>

The notes set out on pages 1 to 39 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:

  
 .....  
 for **Chairman**  
*Keff Omuyung 20727*


  
 .....  
**Head of Finance**  
*20727*

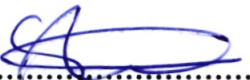
  
 .....  
 for **Medical Superintendent**




18. Statement of Comparison of Budget and Actual Amounts For The Year Ended 30<sup>th</sup> June 2022

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	D	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
<b>Revenue</b>						
In- kind contributions from the County Government	0	16,577,621	16,577,621	16,577,621	0	100%
Rendering of services- Medical Service Income	70,001,280	-	70,001,280	70,525,757	-524,477	101%
<b>Total income</b>	<b>70,001,280</b>	<b>-</b>	<b>86,578,901</b>	<b>87,103,378</b>	<b>-524,477</b>	<b>101%</b>
<b>Expenses</b>						
Medical/Clinical costs	16,676,067	16,577,621	33,253,688	43,748,344	-10,494,656	132%
Employee costs	26,404,654	-	26,404,654	24,858,880	1,545,774	94%
Remuneration of directors	700,000	-	700,000	682,800	17,200	98%
Repairs and maintenance	3,127,750	-	3,127,750	3,215,773	-88,023	103%
General expenses	11,266,687	-	11,266,687	11,209,707	56,980	99%
<b>Total Expenses</b>	<b>58,175,158</b>	<b>16,577,621</b>	<b>74,752,779</b>	<b>83,715,504</b>	<b>-8,962,725</b>	<b>112%</b>
<b>Surplus for the period</b>		<b>-</b>	<b>11,826,122</b>	<b>3,387,874</b>	<b>-</b>	
<b>Capital expenditure</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>	

  
.....  
for Chairman  
Board of Management

  
.....  
for Head of Finance  
ICPAK No: 20727

  
.....  
for Medical Superintendent



**19. Notes to the Financial Statements**

**1. General Information**

Molo sub-county hospital is established by and derives its authority and accountability from PFM Act. The Molo Sub-County Hospital is wholly owned by the Government of Kenya and is domiciled in Kenya. The Molo Sub-County Hospital’s principal activity is to provide integrated quality services 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 hospital accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Molo sub county hospital.

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

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

IPSASB deferred the application date of standards from 1<sup>st</sup> January 2022 owing to Covid19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1<sup>st</sup> January 2023.

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

**i. New and amended standards and interpretations in issue but not yet effective in the year ended 30<sup>th</sup> June 2022.**

<b>Standard</b>	<b>Effective date and impact:</b>
<b>IPSAS 41:</b> Financial Instruments	<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 Hospital’s future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets</li> </ul>

	<p>that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</p> <ul style="list-style-type: none"> <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 Hospital's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>
<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 Hospital provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Hospital;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Hospital's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st 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>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>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b> Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</li> </ul>
IPSAS 43	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Hospital.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

**ii. Early adoption of standards**

The Molo Sub-County Hospital did not early – adopt any new or amended standards in the year 2021/2022

**4. Summary of Significant Accounting Policies**

**a) Revenue recognition**

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

**Transfers from other Government entities**

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

**Revenue from exchange transactions**

**Rendering of services**

The Molo Sub-County Hospital recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

**Sale of goods**

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

**Interest income**

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

**Dividends**

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

**Rental income**

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

**Budget information**

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

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

**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.

**b) 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 *given* 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.

**c) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Hospital recognizes such parts

as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

**d) Leases**

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

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

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

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

**e) 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

**f) Research and development costs**

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

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

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

**g) Financial instruments**

**Financial assets**

**Initial recognition and measurement**

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The hospital determines the classification of its financial assets at initial recognition.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently

measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

### **Held-to-maturity**

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

### **Impairment of financial assets**

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

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

### **Financial liabilities**

#### **Initial recognition and measurement**

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

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

#### **Loans and borrowing**

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

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

#### **i) Inventories**

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

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

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

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

#### **j) Provisions**

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

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

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

#### **Contingent liabilities**

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

#### **Contingent assets**

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

**k) Nature and purpose of reserves**

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

**l) Changes in accounting policies and estimates**

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

**m) Employee benefits**

**Retirement benefit plans**

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

**n) Foreign currency transactions**

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

**o) Borrowing costs**

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

**p) Related parties**

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

**q) Service concession arrangements**

The Hospital analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party

contributes an asset to the arrangement, the Hospital recognizes that asset when, and only when, it controls or regulates the services. The operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Hospital also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**r) Cash and cash equivalents**

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

**s) Comparative figures**

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

**t) Subsequent events**

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

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

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

**Estimates and assumptions**

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

**Useful lives and residual values**

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

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

**Provisions**

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

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

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

Description	2021/22
	KShs
Salaries and wages	-
<b>Total grants in kind</b>	

**7. Grants From Donors and Development Partners**

Description	2021/22
	KShs
KEMSA drugs donation	15,444,704
UHC donations	1,132,917
<b>Total grants from development partners</b>	<b>16,577,621</b>

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

Name of the Entity sending the grant	Amount recognized to Statement of financial performance	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year
	KShs	KShs	KShs	KShs
KEMSA drugs donation	15,444,704	-	-	15,444,704
UHC donations	1,132,917	-	-	1,132,917
<b>Total</b>	<b>16,577,621-</b>	<b>-</b>	<b>-</b>	<b>16,577,621</b>

8. Rendering of Services-Medical Service Income

Description	2021/2022
	Kshs
Pharmaceuticals	10,131,705
Non-Pharmaceuticals	814,415
Laboratory	8,430,221
Radiology	3,159,179
Orthopedic and Trauma Technology	1,693,578
Theatre	2,371,652
Accident and Emergency Service	2,452,962
Nutrition service	1,091,712
Dental services	198,156
Reproductive health -	20,274,841
Paediatrics services	9,225,823
Farewell home services	4,232,600
Medical records and reports	6,377,914
<b>Attachment fees for student</b>	<b>71,000</b>
<b>Total revenue from the rendering of services</b>	<b>70,525,758</b>

9. Medical/ Clinical Costs

Description	2021/2022
	Kshs
Dental costs/ materials	139,028
Laboratory chemicals and reagents	4,145,211
Food and Ration	5,086,836
Uniform, clothing, and linen	354,700
Dressing and Non-Pharmaceuticals	13,489,927
Pharmaceutical supplies	8,148,100
Health information stationery	954,878
Sanitary and cleansing Materials	1,496,340
Purchase of Medical gases	1,741,783
X-Ray/Radiology supplies	1,195,503
Grants and donations	<b>6,996,038</b>
<b>Total medical/ clinical costs</b>	<b>43,748,344</b>

**10. Employee Costs**

Description	2021/22
	KShs
Salaries, wages, and allowances	23,876,456
Social contribution	982,424
<b>Employee costs</b>	<b>24,858,880</b>

**11. Board of Management Expenses**

Description	2021/22
	KShs
Sitting allowance	682,800
<b>Total</b>	<b>682,800</b>

**12. Repairs And Maintenance**

Description	2021/2022
	Kshs
Property- Buildings	1,465,975
Medical equipment	527,900
Plant and machinery	155,500
Computers and accessories	670,708
Motor vehicle expenses	395,690
<b>Total repairs and maintenance</b>	<b>3,215,773</b>

**13. General Expenses**

Description	2021/2022
	Kshs
Catering expenses	69,090
Contracted services	1,256,926
Electricity expenses	3,142,252
Fuel and Lubricants	1,872,727

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Travel and accommodation allowance	1,076,000
Courier and postal services	9,450
Printing and stationery	645,260
Water and sewerage costs	415,969
Telephone and mobile phone services	250,000
Internet expenses	111,870
Staff training and development	182,500
Purchase of medical equipment PPE	903,516
Purchase of computer and software	834,527
Purchase of household appliances	88,300
Purchase of furniture	30,450
Other fuel	320,870
<b>Total General Expenses</b>	<b>11,209,707</b>

**14. Cash And Cash Equivalents**

Description	2021/22
	KShs
Current accounts	11,317,723.35
<b>Total cash and cash equivalents</b>	<b>11,317,723.35</b>

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

Description		2021/22
Financial institution	Account number	KShs
a) Current account		
NBK	01001019332000	11,317,723.35
<b>Grand total</b>		<b>11,317,723.35</b>

**15. Receivables From Exchange Transactions**

Description	2021/22
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	KShs
Medical services receivables	7,335,100
<b>Total receivables</b>	<b>7,335,100</b>

**16. Inventories**

Description	2021/22
	KShs
Pharmaceutical supplies	5,236,371
Non pharmaceutical supplies	2,011,326
<b>Total</b>	<b>7,247,697</b>

**17. Intangible Assets-Software**

Description	2021/22
	KShs
<b>Cost</b>	
At beginning of the year	260,000
Additions	-
Additions-Internal development	-
Disposal	-
<b>At end of the year</b>	<b>260,000-</b>

**Note; The other maintenance costs relating to the software are captured as expenditure under maintenance of computer**

**18. Trade And Other Payables**

Description	2021/22
	KShs
Trade payables	22,773,146
<b>Total trade and other payables</b>	<b>22,773,146</b>

**19. Cash Generated from Operations**

	<b>2021/22</b>
<b>Surplus for the year before tax</b>	<b>16,579,437</b>
<b>Working Capital adjustments</b>	
Increase in inventory	(2,200,000)
Increase in receivables	(9,335,100)
Increase in payables	1,371,246
<b>Net cash flow from operating activities</b>	<b>6,415,583</b>

## 20. Financial Risk Management

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

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

### (i) Credit risk

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

Description	Total amount	Fully performing
	Kshs	Kshs
<b>At 30 June 2022</b>		
Receivables from exchange transactions	7,335,100	7,335,100
<b>Total</b>	<b>7,335,100</b>	<b>7,335,100</b>

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 Hospital has significant concentration of credit risk on amounts due from 2021.

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

### (ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the hospital's board of management who have built an appropriate liquidity risk management framework for the management of the Hospital's short, medium and long-term funding and liquidity management

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requirements. The Hospital manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2022</b>				
Trade payables	-	-	22,773,146	22,773,146
<b>Total</b>	-	-	<b>22,773,146</b>	<b>22,773,146</b>

**(ii) Market risk**

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

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 Hospital's exposure to market risks or the way it manages and measures the risk.

**iv. Capital Risk Management**

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

	2021/22
	Kshs
Revaluation reserve	-
Retained earnings	6,415,583
Capital reserve	4,902,140.35
<b>Total funds</b>	<b>11,317,723.35</b>

**21. Related Party Balances**

**Nature of related party relationships**

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

**Government of Kenya**

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

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

Description	2021/22
	Kshs
<b>Transactions with related parties</b>	
<b>a) Grants from the Government</b>	
Donations in kind	16,577,621
<b>Total</b>	<b>16,577,621</b>
<b>b) Expenses incurred on behalf of related party</b>	
Payments of salaries and wages for employees	24,858,880
<b>Total</b>	<b>24,858,880</b>
<b>c) Key management compensation</b>	
Compensation to key management/Board allowances	682,800
<b>Total</b>	<b>682,800</b>

**22. Events After The Reporting Period**

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

**23. Ultimate And Holding Entity**

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

**24. Currency**

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

**20. Appendices**

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

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

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

**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 Hospital responsible for the implementation of each issue.
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

  
 Accounting Officer

**MEDICAL SUPERINTENDENT**  
**MOLO SUB-COUNTY HOSPITAL**

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**APPENDIX II: Projects Implemented by Molo sub county hospital.**

**Projects**

Projects implemented by the Hospital Funded by development partners

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1 OUTPATIENT BLOCK	N/A	County Government		N/A	No	No

**Status of Projects completion**

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	OUTPATIENT BLOCK	150,095,771	N/A	70%	150,095,771	150,095,771	County Government