

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

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ON

MAKUENI COUNTY REFERRAL LEVEL 5
HOSPITAL

FOR THE YEAR ENDED
30 JUNE, 2023

COUNTY GOVERNMENT OF MAKUENI



**MAKUENI COUNTY REFERRAL LEVEL 5 HOSPITAL
(Makueni County Government)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR
THE YEAR ENDED 30TH JUNE 2022**

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

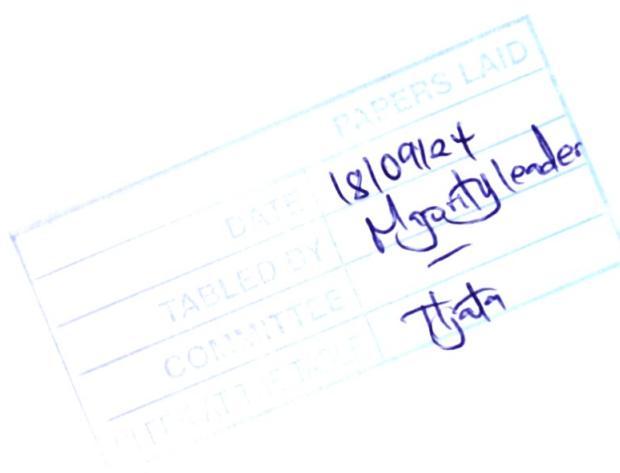


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I. Key Entity Information and Management

a) Background information

Makueni County Referral Hospital (MCRH) is a level (5) hospital established under gazette notice No. 4 dated 27th January, 1989 and after devolution as a County Referral Hospital under license number GK-009907. The hospital is domiciled in Makueni County under the Department of Health Services. The hospital is governed by a Board of Management.

b) Principal Activities

The principal activity/mission/ mandate of the hospital is to provide quality curative, preventive and promotive health services to our clients

c) Vision

An efficient and a high-quality health care system that is accessible, equitable and affordable for all Kenyans.

d) Mission

To promote and participate in the provision of integrated and efficacious promotive, preventive, curative, and rehabilitative health care services to all Kenyans.

e) Strategic Objectives

- i) Eliminate Communicable Conditions
- ii) Halt, and reverse the rising burden of Non-Communicable conditions.
- iii) Minimize exposure to health risk factors
- iv) Provide essential health services

f) Core Values

The core values listed below are the guiding principles which MCRH has committed itself to in the process of implementing its strategic plan and delivery of services in general.

Team work
Integrity
Professional
Respect
Compassion

11. Key Management

The hospitals management is under the following key organs:

- County department of health
- Board of Management
- Management Team

11.1. Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2022 and

who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Medical Superintendent	Dr. Joseph Masila
4.	Health Administrative Officer-MCRH	Benard Momanyi
5.	Health Administrative Officer-Mother & Child	Winfred Mulwa
6.	Nursing Officer In-charge-MCRH	Dominic Muteti
7.	Nursing Officer In-charge-Mother & Child	Loise Muthami
8.	Accountant	Penina Ndunda
8	Supply Chain Officer	Purity Musau

h) Fiduciary Oversight Arrangements

- **Hospital Management Team;** This committee comprises of all heads of departments in the entity. The members of this committee their role is to represent their departments during quarterly meetings, assist their unit in preparation of work plans, budgets and implementation of Hospital plans. They are the core drivers of their units. The committee seats on quarterly to discuss departmental performance and hospital in whole.
- **County Health Authority to Incur Expenditure;** This is a committee constituted at county departmental level. It's an oversight committee to offer technical support to the hospital and also ensures that departmental plans are implemented. This done through quarterly supportive supervision and meetings. The committee ensures there is prioritization during hospital budgeting as well as expenditures is in line with approved plans.
- **Makueni County Assembly;** The County Assembly enacted the various legislation and performed the oversight required. They also reviewed the external audit reports and financial statements of the County Government as required by the law.
- **Controller of Budget(COB);** COB Provided the required guidelines in budget execution, processed requisition for funds and provided oversight in budget implementation indirectly to the hospital via the mother department.
- **National Treasury(NT);** The NT Processed exchequer funds, provided technical support and quality review of the financial statements;
- **Commission on Revenue Allocation (CRA);** CRA provided support in revenue allocation and also undertook the County Credit Rating;
- **Makueni County Audit Committee;** The Committee reviewed the internal audit reports and ensured corrective actions were taken to safeguard the internal controls of the County's financial operations. It also spearheaded preparation of the county risk management framework which the hospital is a beneficiary.
- **Public Sector Accounting Standards Board;** The board developed the financial reporting templates and provided guidance on the accounting standards to be adopted by the County level 5 hospitals.
- **Development partners;** We worked with our development partners mainly Center for International Health, Education and Bio safety Kenya(CIHEB-K) to support on HIV/AIDS program and capacity

building of the staff.

(a) Entity Headquarters

Makueni County Referral Hospital
P.O Box 95-90300
Makueni, Kenya.

(b) Entity Contacts

Telephone: (+254)741116657
E-mail: medicalsuperintendent.health@makueni.go.ke; makuenireferral@gmail.com

(c) Entity Bankers

Kenya Commercial
Bank Wote -Branch
Makueni

(d) Independent Auditors

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

(e) Principal Legal Adviser

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

(f) County Attorney

P.O. Box. 78-
90300 Makueni,
Kenya

II. The Board of Management

Ref	Directors	Details
1.	 Mr Charles Muthuka	He is the chairman of the board. He holds a Bachelors degree in Education, with a wealth of experience in Administration and management. He's a retired secondary school principal. Date of appointment: 26th March, 2021
2.	 Mrs Alicia Muendo	She's the vice chairperson of the board and she holds a bachelors degree in Education. She's a retired teacher. Date of appointment: 26th March, 2021
3.	 Mr Charles Mulwa Kyenze	He's a member of board representing People living with Disability. He holds a bachelor degree in Arts Gender and Development. Date of appointment: 26th March, 2021
4.	 Dr. Joseph Masila	He's the secretary of the board and Medical superintendent of the Hospital. He holds a Masters degree in Masters in Medicine (Psychiatry) and Bachelors degree in medicine and medical surgery. Date of appointment: 26th March, 2021

III. Management Team

Ref	Management	Details
1.	 Dr. Joseph Masila - Masters in Medicine(Psychiatry)	Medical Superintendent
2.	 Benard Momanyi - Bachelor of Science (Health Systems Management)	Health Administrative Officer-MCRH
3.	 Penina Mutindi Ndunda Master's in Business Management (Operations Management)	Hospital Accountant
4.	 Dominic Muteti Bachelor of Science (Nursing)	Nursing Services Manager-MCRH
5.	 Loise Muthami Kenya Registered Community Health Nursing -Diploma	Nursing Services Manager-Mother & Child
6.	 Winfred N. Mulwa Bachelor of Commerce(Accounting)	Health Administrative Officer-Mother & Child

IV. Chairman's Statement

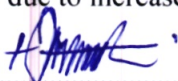
It is an appropriate time to reflect on the way in which our hospital and our patients should get better health care services. Our community and our financial landscape have changed in the last one year and to think about our future directions and the evolving needs of our community. We are accountable for the delivery of safe and quality health care to our patients while at the same time we are challenged by the economic realities and growing health needs of our community.

The hospital strategic plan provides a broad roadmap for the Hospital and calls for a dynamic and integrated effort. The overarching objectives, which many hands and talents will help achieve, provide a balanced framework of what needs to be done by us to reach our vision and fulfill our mission. It is our responsibility to make strategic decisions, invest wisely and partner effectively to ensure that our immediate community has direct access to quality health services.

This financial year saw us achieve important milestones despite the tough economic times occasioned by the Covid 19 pandemic damage. We have managed to remain financially afloat even in these demanding times. The acute nature of pandemic was a very difficult moment for us. There was a marked increase in demand for infrastructure, consumables, capacity building and the human resource. The cost of some essential commodities became unbearable. This was unprecedented and called for financial restructuring.

In the FY2021/22 the Hospital continued to partner with the county government through the department of Health services. The department constructed and equipped Mental Unit and Constructed rehabilitation unit awaiting equipping. This has expanded the hospital service delivery.

The collections have decreased while the expenditures have kept increasing over the period under review due to increased demand for health services and our providers delaying payments.



.....
Bishop Joseph Kanuku
Chairman Hospital Management Committee

V. Report of The Chief Executive Officer

The Makueni county referral hospital is a hybrid facility accepting both referrals and walk in clients from Makueni and neighboring counties of Kitui, Kajiado, TaitaTaveta, and Machakos. In specialized medical camps we receive clients from all over the country e.g. cleft lip/palate surgery. There have been many challenges in this period; in particular the growth in demand for our services e.g. Human resource, infrastructure, finances etc. There have also been tremendous progressing accessing quality health services to our communities.

We have made significant progress and it is a credit to the energy, commitment and dedication of staff, board members, volunteers and development partners that we have achieved so much in the challenging environment of finite resources and increasing demand and costs that every public health service faces.

This report reinforces our belief in both the strength each employee, board and volunteers bring to the Hospital, and the critical role of partnership and collaboration in our health care network. It also affirmed that the Hospital is stable and well-positioned for growth and development, despite the rapidly and ever-changing health care environment.

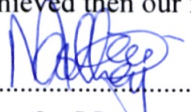
The facility relies on several sources of revenue namely facility improvement fund (formerly referred to as cost sharing fund), Makueni care (famous as Kivutha care) reimbursement, contracted service providers e.g. NHIF, MAKL insurance (AON-MINET), Donor, rents.

The major expenditures in facility include but not limited to buying pharmaceuticals, Non pharmaceuticals, Dental and medical equipment, medical air and gases, maintenance of plant building and equipment, cleaning & security services ,water and sewerage, bedding and linen, laboratory reagents, food and ration sanitary and cleansing, fuel foe transport and production, publishing printing& general office supplies and contracted professional services.

The facility like other institutions in the country and world over was faced with great financial challenges following the Covid19 pandemic. The sudden onset and nature of pandemic created a very difficult atmosphere. There was increase in demand for infrastructure, consumables, capacity building and the human resource. The cost of some essential commodities e.g. clean gloves changed prices up to five fold. This was preceded and called for financial restructuring.

The revenue has plummeted while the expenditures have kept increasing over the period under review due to increased demand for health services. Another notable contribution to this financial state is the challenge of our providers delaying payments this greatly impacting on service delivery.

We remain optimistic that as the Covid -19 eases and the economic recovery from its impacts is achieved then our financial fortunes as an institution will turn around.


.....
Martha Munyao
Chief Executive Officer

VI. Statement of Performance Against Predetermined Objectives

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

Makueni County Referral Hospital has 3 strategic pillars and objectives within the current Strategic Plan for the FY 2022-FY2027. These strategic pillars are as follows;

- Strengthening institutional capacity of the hospital
- Development of hospital infrastructure
- Management of waste and sanitation system

Makueni County Referral Hospital develops its annual work plans based on the above 3 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. Makueni County Referral Hospital achieved its performance targets set for the FY 2021/2022 period for its 3 strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Strengthening institutional capacity of the hospital	To strengthen human resource Capacity To strengthen ICT and HIS for Efficient service delivery. To strengthen financial management	No. of persons trained and promoted No. of departments that are paperless Amount of FIF collected	-Trainings attended and HRMAC Advisory meetings -Expansion of internet, software and cabling infrastructure -Increasing the cashless points.	Motivated human resource Reduced waiting time and financial accountability. Improved FIF collection.
Development of hospital infrastructure	To expand hospital infrastructure	No. of renovated and new infrastructure	Renovations and constructions Within the facility.	New and modern infrastructure in the hospital.
Strengthen management of records	To improve on record keeping	No. of procured and installed storage equipment and HIS	Installation of more storage equipment. Going paperless as possible.	Better record keeping. Improved data collection, analysis and dissemination

VII. Corporate Governance Statement

The hospital's top decision making organ is known as Health Management Committee. The HMC holds quarterly meetings and can hold extra meeting on need basis. The period under review 2021/2022; HMC has had 4 meetings.

Governance principles and Guidelines

The hospital management board is responsible for overall governance of the hospital and is accountable to the County Government of Makueni by ensuring highest standards of practices and ethics.

The appointment of the committee is as provided for in the Makueni County Health Services Act 2016 where it is named hospital Board. Part II health Services Management states that a county and sub county hospital shall be governed by a board appointed by Executive Member and approved by county assembly.

Board Organization and structure

The hospital management comprises of 11 members. The composition is diverse including a non-executive chairperson, Medical Superintendent, representative of SCMOH, representative of Sub county Ward administrator, representative of the Ministry of Interior, clergy, people with disability and other minority group.

Roles and functions of the board

The responsibilities of the board include oversight, promoting development, approving plans and programs; and approving budget estimates and any other functions.

The hospital boards constitutes of the following sub-committees

- Finance and general purpose committee
- Primary healthcare committee

Board activities

1. Strategic planning
2. Clinical services
3. Financial performance and reporting

Board member attendance

Name		Attendance
Mr. Charles Muthuka	HMC Chairperson	3/4
Mrs Alicia Muendo	Member	4/4
Fr. Paul Munguti	Member	4/4
Jones Mulwa Ndeti	Member	4/4
Charles Mulwa Kyenze	Member	4/4
Felisters Nzomo	Member	4/4
Medical Superintendent	Secretary	4/4
Sub county Medical Officer	Ex-official	2/4
Sub county Ward Administrator	Ex-official	4/4
Deputy County Commissioner	Ex-official	4/4

VIII. Management Discussion and Analysis

Operational performance

The details in this report are largely attributable to teamwork, clear vision and the desire to do good. All players in this hospital are critical in achieving the managerial targets and goals. The FY2021/22 saw us continue with the journey to align our activities strategically and focus on our vision.

Land mark projects

The landmark activities for the period in review include; the widening of our surgical services through partnership with Operation Smile and Kids Or to offer pediatric safe surgeries; Water-kiosk to supply desalinated water for drinking and renovations done in Laboratory department.

Risks facing the facility

Principal risk	Description of risk	Mitigation of risk
Regulatory and compliance risk	The risk includes ethical and governance risks that refer to the failure of the control and oversight mechanisms which were designed and implemented to uphold the ethical standards and controls of the organization.	• Proactive engagement strategies with stakeholders • Support supervision, monitor regulatory developments where necessary • Compliance risks identified and assessed as part of departmental • Risk register • Compliance management • Visible ethical leadership • Monitoring and investigation of incidents reported on the ethics line • Board-level oversight
Competition	The risk relating to the uncertainty created by the existence of competitors or the emergence of new competitors with their own strategies.	• Proactive monitoring • Strategic planning processes • Quality and value of care processes
Economic and business environment	The downturn in the general economic and business environment, including all those factors that affect an organization's operations, Customers, competitors, stakeholders, suppliers and Industry trends.	• Systems to monitor developments in the economic and business environment of trends and early warning indicators • Focus on quality and continuum of care to reinforce the Hospital's position

Makueni County Referral Level 5 Hospital (Makueni County Government)
Annual Report and Financial Statements for the Year Ended 30th June 2022

Operational risks	Operational risk refers to various types of operational events with a potential for financial loss.	• Preservation of a sound internal financial control environment • Effective risk management processes • Extensive combined assurance processes • Monitoring operations through KPIs • Continuous enhancement of operational efficiency and cost reduction • Board-level oversight
Financing and liquidity risk	The cost, terms and availability of capital to finance strategic expansion opportunities and/or the refinancing or restructuring of existing debt which was affected by prevailing capital market conditions	• Long term planning of capital requirements and cash flow forecasting • Scrutiny of cash-generating capacity within the Hospital • Monitoring compliance with requirements of debt covenants
Clinical risks	All clinical risks associated with the provision of clinical care resulting in undesirable clinical care or clinical outcomes. The risks include a pandemic and disease outbreak. A pandemic is an epidemic of infectious disease that is spreading through human populations across a large region. Disease outbreak involves highly infectious diseases with a high mortality rate.	• Accreditation processes • Clinical governance processes • Monitoring clinical performance indicators • Implementation of comprehensive processes for infection control and prevention • Marketing and communication strategies • Focus on quality management processes
Quality and stability of operational services	Incidents of poor service or incidents where operational management fail to respond effectively to complaints; operational interruptions, which are any disruption of the facility and including the threat of disrupted power or water supply	• Patient experience surveys (both internal and external) • Complaints monitoring • Training programs • Comprehensive insurance to deal with financial impact of potential disasters • Plans to deal with disasters
Availability, recruitment and retention of skilled resources and medical practitioner	The availability and support of admitting doctors, whether independent or employed, are critical to the services the Hospital provides	• Monitoring doctor satisfaction, movement and doctors' profiles • The employment recruitment and retention strategies • Extensive training and skills development program

Makueni County Referral Level 5 Hospital (Makueni County Government)
Annual Report and Financial Statements for the Year Ended 30th June 2022

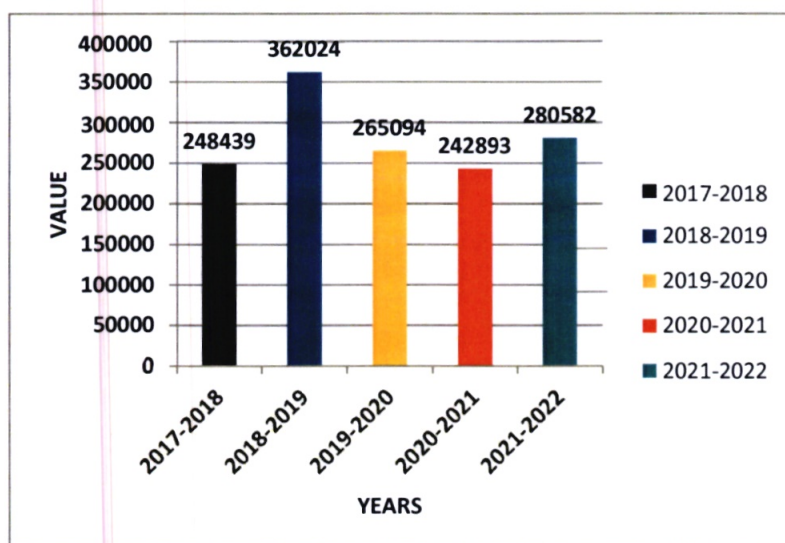
Clinical/operational performance

BED CAPACITY OF THE HOSPITAL

Bed Capacity	429
COTS	20
INCUBATORS	7
Kangaroo Mother Care(KMC)	8
Resuscitaire	1
New Born Unit(NBU)	36
Normal Patient Beds	357

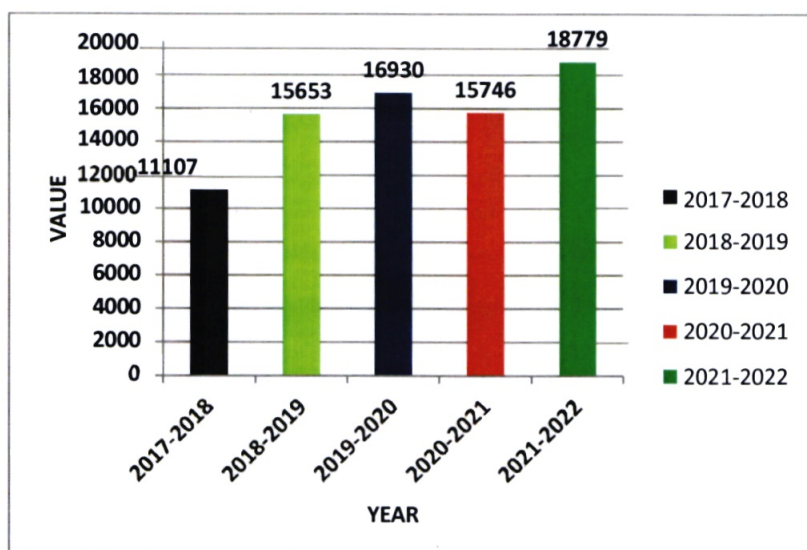
The Hospital has a total bed capacity of 429, with 72 beds for specialized specific cases and 357 beds for normal patients.

OUTPATIENT ATTENDANCE

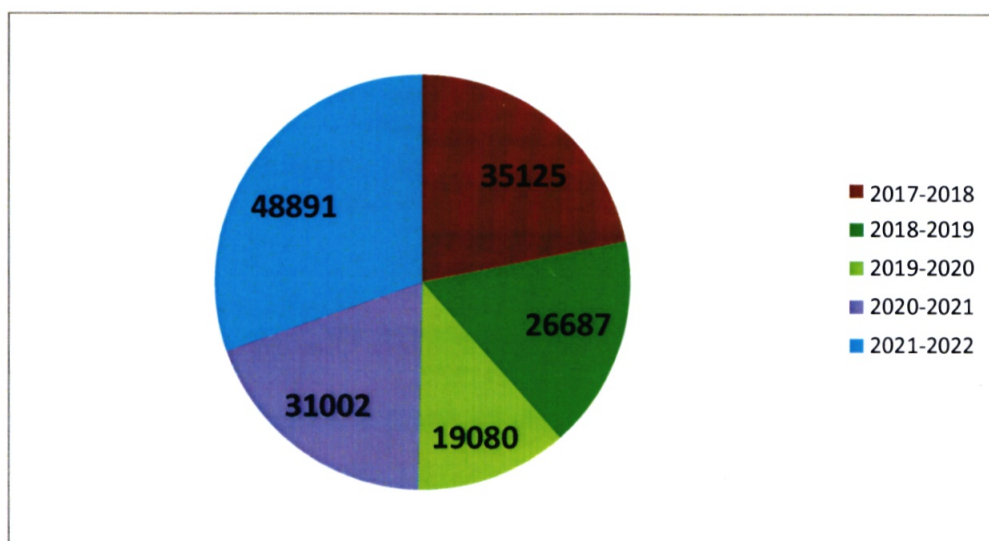


The outpatient attendance has fluctuated over the period due to initially inception of Makueni Care, Covid-19 pandemic and now its stabilizing again. This is a similar case for the inpatient attendance as shown below.

IN PATIENT ATTENDANCE

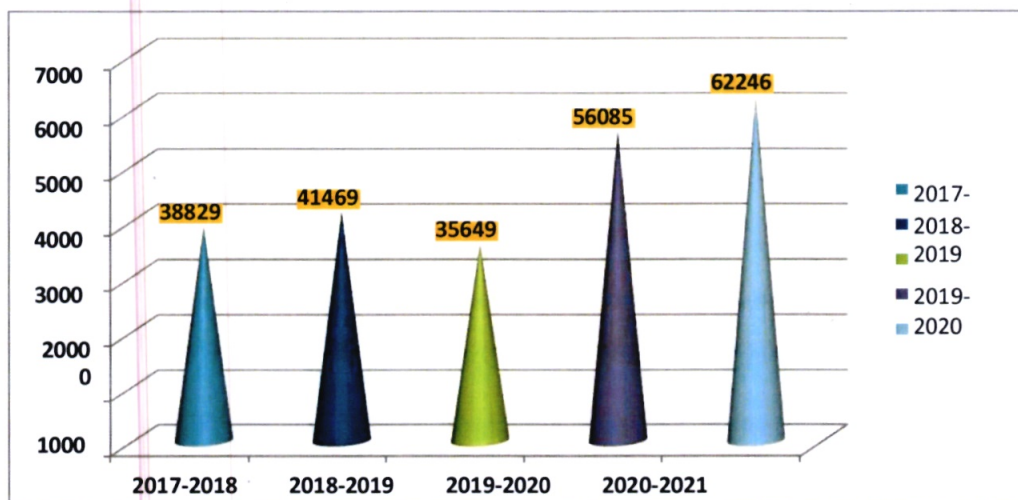


ACCIDENT AND EMERGENCY ATTENDANCE



The Hospital being a referral hospital in the county demand for accident and emergencies services has continued to grow.

SPECIALISED CLINIC ATTENDANCE



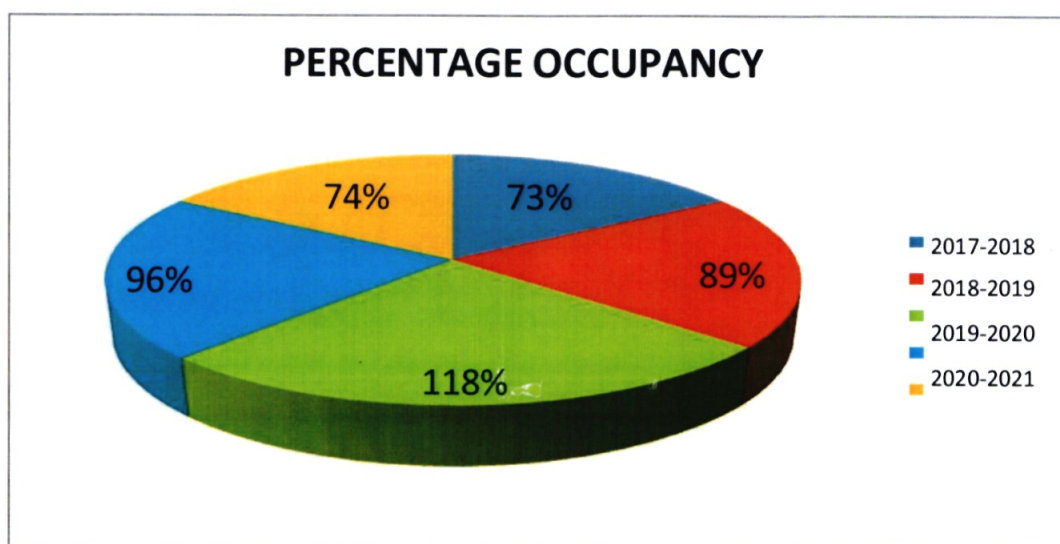
The hospital has widened the menu for specialized services and the demand keeps growing.

AVERAGE LENGTH OF STAY FOR IN PATIENT

YEAR	DAYS
2017-2018	8
2018-2019	10
2019-2020	16
2020-2021	15
2021-2022	10

The Covid-19 pandemic increased the length of stay for inpatient.

BED OCCUPANCY RATE

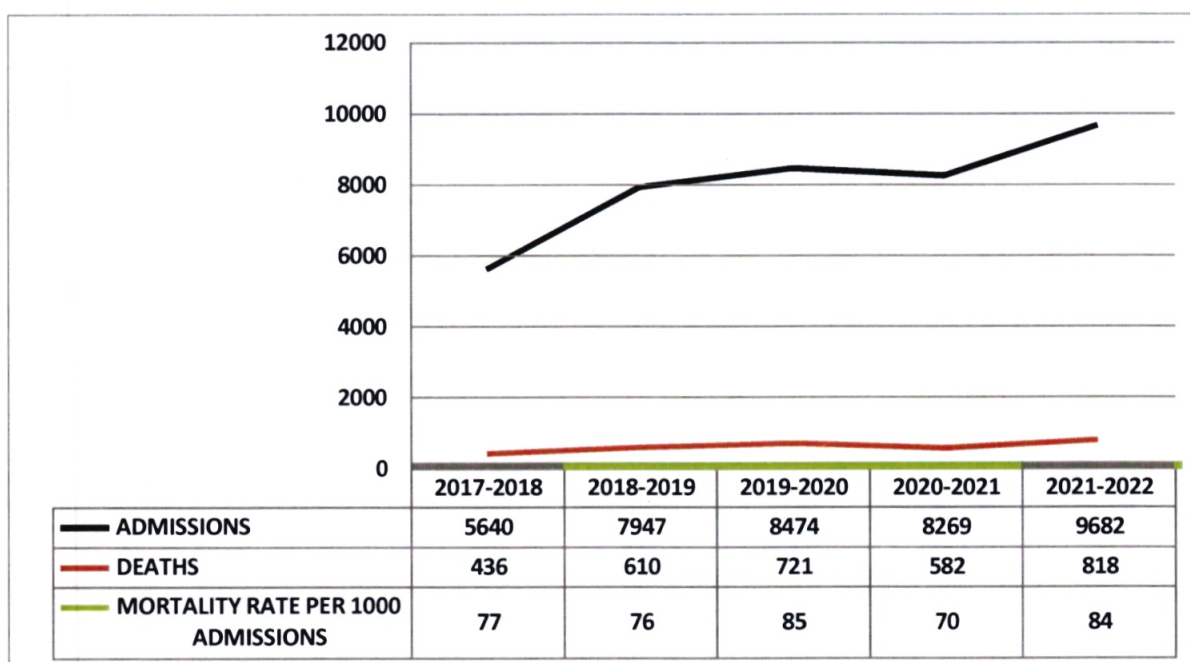


At the peak of Covid- 19 pandemic the hospital's bed capacity was over stretched.

SURGICAL THEATRE UTILISATION

SERVICES	2017/ 2018	2018/ 2019	2019/ 2020	2020/ 2021	2021- 2022
MINOR SURGERIES OPERATED	103	485	656	692	630
EMERGENCIES OPERATED	844	1028	1447	1313	1322
COLD SURGICAL CASES	263	161	727	860	975
CIRCUMCISION OPERATED	4	53	12	15	7
MAJOR SURGERIES OPERATED	975	1034	1419	1760	1641

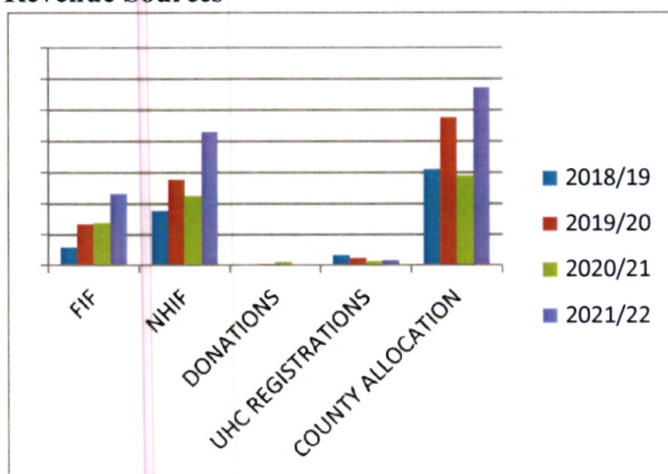
MORTALITY RATE

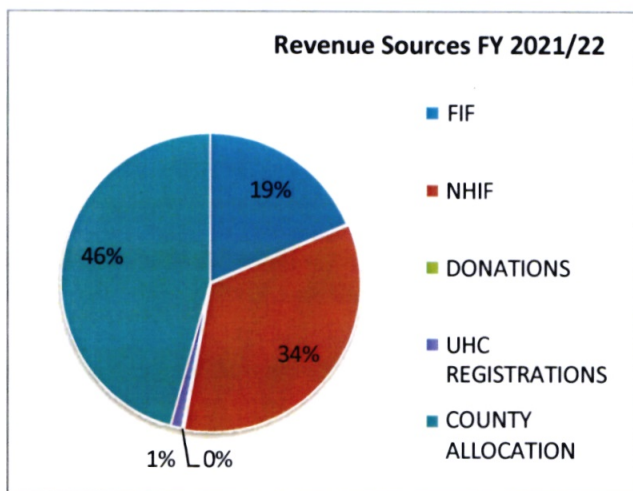


SPONSORSHIPS AND PARTNERSHIPS

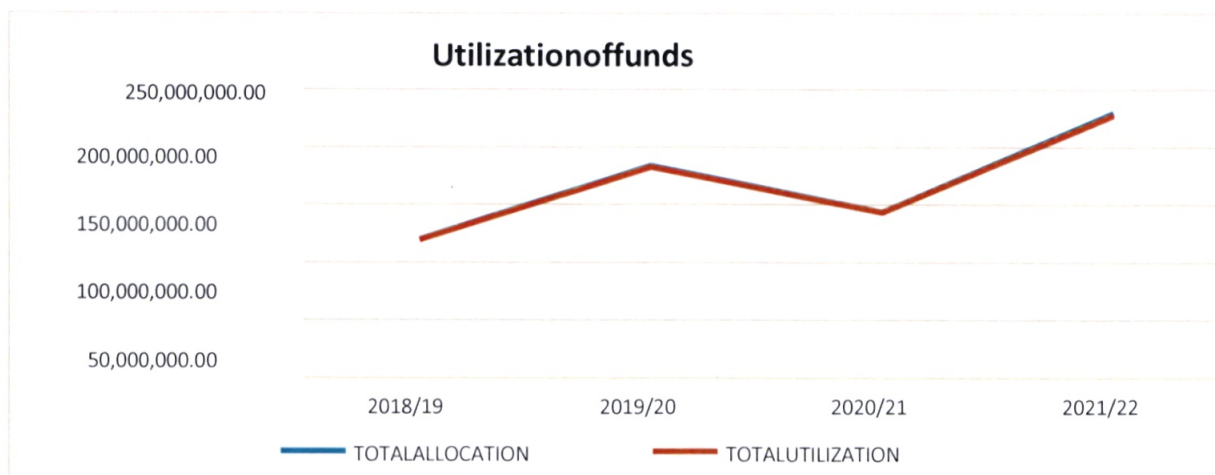
The facility has great partnerships with county government; department of health services; Kids OR; Water-kiosk and Operation Smile.

Revenue Sources





As indicated above the hospital receives revenue from Facility Improvement Fund (FIF), National Hospital Insurance Fund (NHIF) reimbursements for the services offered to registered patients, Stakeholder donations, Makueni Care Insurance registration (UHC) and County allocations. The out of pocket collections have reduced tremendously over the years since the introduction of Makueni Care Program. County allocation to support Universal Health Care has been the leading source of revenue. In the FY2021/22 county allocation contributed to 46% of the total revenue, NHIF 34%, FIF 19% and 1% for Makueni Care registration. Donations received in the year contributed approximately 0.01%



The hospital budget utilization has been 100%. In many cases the hospital is not able to meet all its needs due to reduced revenue collection and high workload, this has been contributed by Makueni Care Insurance Scheme and therefore budgeting is done to meet only the most essential services leaving out many services unattended. Reduction of the county budget allocation to department of Health Services has also impacted on the hospital county allocation.



 Martha Munyao
Chief Executive Officer

IX. Environmental And Sustainability Reporting

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

i. Sustainability strategy and profile

The county referral hospital promotes sustainable development through governance reforms that are founded on respect, integrity, professionalism, compassion and accountability. The hospital has focused on provision of affordable health care and balancing this with financial sustainability. This is guided by issue based leadership; transparency and accountability in management of public resources. In addition empathy and compassion are considered.

ii. Environmental performance

The hospital is committed to environmental conservation and sustainability. The hospital is in the process of acquiring a modern waste management machine in partnership with the Council of Governors and Ministry of Health. This will enhance waste management; considering that the machine shall not use water and gas but will consume electricity; therefore more environment friendly. The facility has been seeking partnerships to upgrade the hospital lagoon for liquid waste management.

iii. Employee welfare

The hospital borrows from Makueni County. Makueni County has several policies in place that guide hiring of employees. These include the County Government Act, the Employment Act and the Constitution of Kenya, 2010. Every effort is made in ensuring Gender balance and involvement of various stakeholders in the hiring process. Through the County Public Service Board, the County Government has made tremendous effort in improving skills, managing careers, appraisal and reward systems of employees. These include Performance Management system, training of staff, formation of Departmental Human Resource Management Advisory Committees, Appointment of committee to review the schemes of service and introduction of reward system under the Performance Management System. However the big challenge is the stagnation of promotions and re-designations.

The County Government has also formulated and documented a safety and health policy in compliance with Occupational Safety and Health Act of 2007,(OSHA). This is part of County

Service Delivery manual which addresses pertinent safety and health concerns such as safety and health regulations, fire safety provisions and insurance cover.

iv. Market place practices-

(a) Responsible competition practice.

The facility involves stakeholders in all its activities. The facility's pricing is majorly dictated by County Finance bill. Corruption reporting mechanisms are available in the facility and due diligence follows up the reports.

(b) Responsible Supply chain and supplier relations

To ensure responsible relations with our service providers and contractors, the hospital is opening up its supply chain to ensure that every measure to mitigate corruption, ensure that public funds are used in the best value for money and also support youth, women and persons with disability-owned businesses to have better chances of doing business with government.

The hospitals Executive Expenditure Committee has ensured that all payments due are promptly paid and this has provided confidence to suppliers and contractors that they will be paid upon completion of works or delivery of goods and services.

(c) Responsible marketing and advertisement

The hospital uses the Government of Makueni County open contracting portal which has made it possible for the hospital to advertise all contracts and tenders in this portal. The suppliers have unlimited access to the portal which can be accessed through the following link. (<<https://opencontracting.makueni.go.ke/ui/index.html>>). Marketing is also done through major newspapers.

The hospital has also undertaken marketing initiatives through the customer care. Currently; personnel are being recruited to enhance the capacity of this directorate.

(d) Product stewardship

The hospital implements consumer protection by ensuring that inspection of goods and services for human safety is done appropriately.

(e) Corporate Social Responsibility/Community Engagements

The facility's main CSR is cleft-lip/palate surgery in collaboration with Operation Smile-Kids OR and Ophthalmology medical camps in collaboration with Fred Hollows foundation for free surgeries.

X. 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 Makueni County referral Level 5 Hospital affairs.

Principal activities

The principal activities of the entity are to provide quality curative, preventive, promotive and rehabilitative health services to our clients

Results

The results of the entity for the year ended June 30th 2022 are set out on page 1 to 9

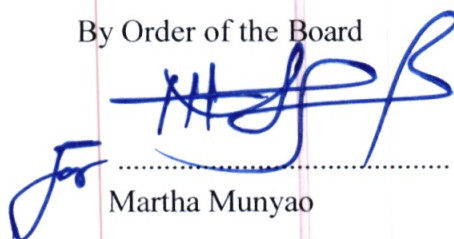
Board of Management

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

Auditors

The Auditor General is responsible for the statutory audit of the Makueni County Referral Level 5 Hospital in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year ended June 30, 2022.

By Order of the Board



Martha Munyao

Chief Executive Officer

Secretary to the Board

XI. Statement of Board of Management's Responsibilities

Section 164 of the Public Finance Management Act, 2012 requires the accounting officer for a county government entity to prepare financial statements in respect of the entity in formats to be prescribed by the accounting standards board.

The Board of Management is also required to ensure that the Makueni County Referral Level 5 Hospital keeps proper accounting records which disclose with reasonable accuracy the financial position of the Hospital. The council members are also responsible for safeguarding the assets of the Hospital.

The Board of Management is responsible for the preparation and presentation of the Hospital's financial statements, which give a true and fair view of the state of affairs of the Hospital for and as at the end of the financial year (period) ended on June 30, 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 entity, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

The Board of Management accepts responsibility for the Makueni County Referral Level 5 Hospital financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Board members are of the opinion that the Hospital's financial statements give a true and Fairview of the state of Hospital' transactions during the financial year ended June 30, 2022, and of the Hospital' financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the Makueni County Referral Level 5 Hospital, which have been relied upon in the preparation of the Hospital's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Board of management to indicate that the Makueni County Referral Level 5 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

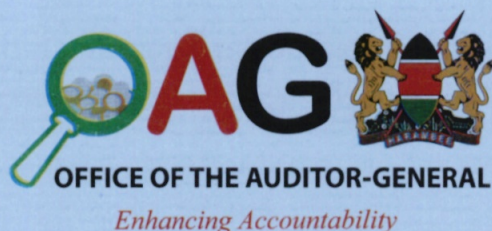
The Hospital's financial statements were approved by the Board on 24/06/2024 and signed on its behalf by:

.....
Name: Bishop Joseph Kanuku
Chairperson
Board of Management

.....
Name: Martha Munyao
Accounting Officer

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON MAKUENI COUNTY REFERRAL LEVEL 5 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2023 - COUNTY GOVERNMENT OF MAKUENI

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Makueni County Referral Level 5 Hospital - Makueni County Government set out on pages 1 to 47, which comprise of the

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Makueni County Referral Level 5 Hospital – Makueni County Government as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, the County Governments Act, 2012 and the Health Act, 2017.

Basis for Qualified Opinion

1. Material Uncertainty Related to Sustainability of Services

The financial statements indicate that the Hospital reported a deficit of Kshs.29,343,581 for the year under review. In addition, the Hospital's current liabilities balance of Kshs.80,872,269 exceeded its current assets balance of Kshs.63,389,067 as at 30 June, 2023, resulting to a negative working capital amounting to Kshs.17,483,202. These conditions indicate the existence of a material uncertainty, which may lead to significant doubt on the Hospital's ability to continue to sustain its services. However, this material uncertainty and any mitigating measures put in place by the Management to reverse the undesirable financial position have not been disclosed in the financial statements. Further, the Hospital Board and Management have not disclosed in these financial statements material uncertainty related to sustainability of its services.

In the circumstances, the continued sustainability of the Hospital's services could not be confirmed.

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

The statement of financial performance reflects employee costs of Kshs.55,262,948 for casuals and contractual staff as disclosed in Note 16 to the financial statements. The Hospital received services from (145) medical staff employed and paid by the County. However, the expenditure was not disclosed in the financial statements and the payroll was not provided for audit verification.

In the circumstances, the accuracy and completeness of employee costs of Kshs.55,262,948 could not be confirmed.

3. Non-Disclosure of Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.8,362,258 as disclosed in Note 31 to the financial statements. However, review of

Hospital records and physical verification revealed various assets including land, buildings, motor vehicles, furniture, computers and equipment which were not disclosed in the financial statements. Further, the ownership documents for land were not provided for audit.

In the circumstances, the accuracy, completeness and ownership of property, plant and equipment balance of Kshs.8,362,258 could not be confirmed.

4. Inaccuracies in the Statement of Cash Flows

The statement of cash flows reflects net cash flows from investing activities, purchase of property plant equipment amount of Kshs.2,311,300. However, Note 31 to the financial statements reflects additions of Kshs. 3,420,700 during the year resulting in an unexplained variance of 1,109,400.

In the circumstance, the accuracy and completeness of the net cash flows from investing activities, purchase of property plant equipment amount of Kshs.2,311,300 could not be confirmed.

5. Unconfirmed Inventories Balance

The statements of financial position reflects Nil balance inventories balance as disclosed in Note 30 to the financial statements. However, there was no evidence of conducting the annual stock take to confirm the quantities, value and status of closing inventory balances as at 30 June, 2023.

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

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Makueni County Referral Level 5 Hospital Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing

else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Non-Submission of Quarterly Revenue Reports

The statement of financial performance reflects Kshs.53,825,955 in relation to the rendering of services -medical income as disclosed in Note 11 to the financial statements. However, the Hospital did not provide evidence to show that the reports were prepared and submitted the same to the County Treasury with a copy to the Auditor General. This was contrary to Regulation 64(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer or receiver of revenue or collector of revenue to prepare a quarterly report not later than the 15th day after the end of the quarter.

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

2. Non-Compliance with Requirements on Universal Health Coverage

Review of Hospital records and interviews on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits by staff requirements of 181 or 56% of the 323 authorized establishment.

Staff Requirements	Level 5 Standard	Number in Hospital	Variance	Percentage %
Medical officers	50	15	35	70
Anesthesiologists	7	1	6	86
General surgeons	4	1	3	75
Gynecologists	4	1	3	75
Pediatrics	4	1	3	75
Radiologists	4	0	4	100
Kenya Registered Community Health Nurses	250	126	124	48
Total	323	145	181	56

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

Service	Level 5 Hospital Standard	Actuals in the Hospital	Variance	Percentage %
Beds	500	391	109	22
Resuscitative (2 in labor & 1 in theatre)	3	3	0	0
New Born Unit Incubators	10	9	1	10
New Born Unit Cots	10	20	(10)	(100)
Functional ICU Beds	12	2	10	83
High Dependency Unit (HDU) Beds	12	1	11	92
Renal Unit with at least 5 Dialysis Machines	5	5	0	0
Functional Operational Theatres-Maternity & General	2	2	0	0
Total	552	433	121	22

Further, a number of equipment were not functioning at time of physical inspection in April 2024 as indicated below;

Location	Equipment	Status
Renal Unit	Dialysis Machines	One out of service out of the five in place
Radiology Department	Three Ultrasound Machines, the Digital Mammography Machine and CT Scan	All out of service
Laboratory	Autoclave Sterilizer	Not functioning
Dental Department	2 Dental Chairs	Not functioning

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

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

3. Managed Equipment Services (MES) - Unutilized Medical Equipment

Review of records provided revealed that the hospital incurred expenditure of Kshs.13,100,000 under the Managed Equipment Services (MES) programme. However, physical verification done in May 2024 revealed that the maintenance contracts with the service providers and the Ministry of Health had expired. As a result, some of the equipment under the programme were not functional for lack of maintenance. For instance, the C-ARM and CT scan machines were not functional for lack of batteries, the

mammogram machine, an ultrasound machine and an operating table were faulty and not functional.

In the circumstances, value for money could not be confirmed from the expenditure of Kshs.13,100,000 on Managed Equipment Services (MES) programme.

4. Long Outstanding Trade and Other Payables

The statement of financial position as disclosed in Note 34 to the financial statements reflects trade and other payables balance of Kshs.80,872,269. Included in the balance are trade payables of Kshs.32,266,470 which had been outstanding for one (1) year. This is Contrary to Section 53 (8) of the Public Procurement and Asset Disposal Act, 2015 which states that an Accounting Officer shall not commence any procurement proceedings until satisfied that sufficient funds to meet the obligations of the resulting contract(s) are reflected in approved budget estimates

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

5. Failure to Dispose Unserviceable Motor Vehicles

The statement of financial position reflects Kshs.8,362,258 balance on property, plant and equipment. However, field verification revealed six (6) unserviceable motor vehicles that have not been disposed of and continue to deteriorate in value. This was contrary to the Public Procurement and Asset Disposal Act, 2015 Section 164 (1) which states that the employee in charge of unserviceable, obsolescent, obsolete or surplus assets shall bring the matter to the attention of the Disposal Committee through the Head of the Procurement Function.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Failure to Establish Audit Committee and Operations of Internal Audit Unit

During the year under review, the Hospital did not establish an audit committee. Further, Management did not rely on the Internal Audit Department of the Makueni County Executive since no evidence that the Hospital had been audited by Internal Audit from the County Executive was provided for audit. This was contrary to Regulation 167(1) of the Public Finance Management (County Governments) Regulations, 2015, which requires each County Government entity to establish an Audit Committee. Further, this is contrary to Section 155(1) of the Public Finance Management Act, 2012 which states that a County Government entity shall ensure that it has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board.

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

2. Lack of Hospital Risk Management Policy

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

In the circumstances, the Hospital operated without a mechanism for assessing and mitigating financial and operational risks.

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

Responsibilities of Management and the Board of Management

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Hospital to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Hospital to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

26 June, 2024

XIII. Statement of Financial Performance for the Year Ended 30 June 2022

Description	Notes	2021/22
		Kshs
Revenue from non-exchange transactions		
Transfers from the County Government	6	114,697,301
In-kind benefits from the County Government	7	52,657,894
Grants from donors and development partners	8	311,487
Transfers from other Government entities	9	
Public contributions and donations	10	
		167,666,681
Revenue from exchange transactions		
Rendering of services-Medical Service Income	11	45,601,491
Revenue from rent of facilities	12	129,500
Finance/Interest Income	13	
Other income(<i>specify</i>)	14	90,239,848
Revenue from exchange transactions		135,970,839
Total revenue		303,637,520
Expenses		
Use of In-kind benefits from the County Government	7	52,657,894
Medical/Clinical costs	15	111,434,296
Employee costs	16	50,544,014
Board of Management Expenses	17	130,500
Depreciation and amortization expense	18	717,302
Repairs and maintenance	19	14,491,084
Grants and subsidies	20	
General expenses	21	46,887,150
Finance costs	22	
Total expenses		276,862,240
Other gains/(losses)		
Gain on disposal of non-Current assets	23	
Unrealized gain on fair value of investments	24	
Medical services contracts Gains/Losses	25	(6,552,642)
Impairment loss	26	
Gain on foreign exchange transactions		

Makueni County Referral level 5 Hospital (Makueni County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

Total other gains/(losses)		(6,552,642)
Net Surplus for the year		20,222,638
Attributable to:		
Surplus/(deficit) attributable to minority interest		
Surplus attributable to owners of the controlling entity		20,222,638
		20,222,638

(The notes set out on pages 23 to 40 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 24/06/2024 and signed on its behalf by:



Bishop Joseph Kanuku
Chairman
Board of Management



Peninnah Ndunda
Head of Finance
ICPAK No:



Martha Munyao
Chief Executive Officer

XIV. Statement of Financial Position as of 30th June 2022

Description	Notes	2021/22
		Kshs
Assets		
Current assets		
Cash and cash equivalents	27	33,440,977
Receivables from exchange transactions	28	4,916,442
Receivables from non-exchange transactions	29	-
Inventories	30	26,361,492
Total Current Assets		64,718,911
Non-current assets		
Property, plant, and equipment	31	6,139,752
Intangible assets	32	-
Investment property	33	-
Total Non-current Assets		6,139,752
Total assets		70,858,663
Liabilities		
Current liabilities		
Trade and other payables	34	50,636,025
Refundable deposits from customers/Patients	35	-
Provisions	36	-
Finance lease obligation	37	-
Current portion of deferred income	38	-
Current portion of borrowings	39	-
Total Current Liabilities		50,636,025
Non-current liabilities		
Provisions	36	-
Non-Current Finance lease obligation	37	-
Non-Current portion of deferred income	38	-
Non-Current portion of borrowings	39	-
Service concession liability	40	-
Total Non-current liabilities		-
Total Liabilities		50,636,025
Net assets		20,222,638
Revaluation reserve		-
Accumulated surplus/Deficit		20,222,638
Capital Fund		
Total Net Assets		20,222,638
Total Net Assets and Liabilities		70,858,663

Makueni County Referral level 5 Hospital (Makueni County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

(The notes set out on pages 23 to 40 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 24/06/2024 and signed on its behalf by:



.....
Bishop Joseph Kanuku
Chairman
Board of Management



.....
Peninnah Ndunda
Head of Finance
ICPAK No:



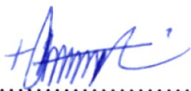
.....
Martha Munyao
Chief Executive Officer

XV. Statement of Changes in Net Assets for The Year Ended 30 June 2022

	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
At July 1, 2021	-	-	-	-
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	20,222,638	-	20,222,638
Capital/Development grants	-	-	-	-
At June 30, 2022	-	20,222,638	-	20,222,638

The notes set out on pages 23 to 40 form an integral part of the Annual Financial Statements.

The Hospital's financial statements were approved by the Board on 24/06/2024 and signed on its behalf by:



Bishop Joseph Kanuku
 Chairman
 Board of Management



Peninnah Ndunda
 Head of Finance
 ICPAK No:



Martha Munyao
 Chief Executive Officer

XVI. Statement of Cash Flows for The Year Ended 30 June 2022

Description		2021/22
	Note	Kshs
Cash flows from operating activities		
Receipts		
Transfers from the County Government	6	114,697,301
Grants from donors and development partners	8	311,487
Transfers from other Government entities		-
Public contributions and donations		-
Rendering of services-Medical Service Income	11	45,601,491
Revenue from rent of facilities	12	129,500
Finance/interest income		-
Other receipts	14	90,239,848
Total Receipts		250,979,627
Payments		
Medical/Clinical costs	15	111,434,296
Employee costs	16	50,544,014
Board of Management Expenses	17	130,500
Repairs and maintenance	19	14,491,084
Grants and subsidies		-
General expenses	21	46,887,150
Finance costs		-
Refunds paid out		-
Total Payments		223,487,044
Net cash flows from operating activities	41	27,492,582
Cash flows from investing activities		
Purchase of property, plant, equipment, & intangible assets		(3,929,137)
Proceeds from the sale of property, plant, and equipment		
Acquisition of investments		-
Net cash flows used in investing activities		(3,929,137)
Cash flows from financing activities		
Proceeds from borrowings		-
Repayment of borrowings		-
Capital grants received		-
Net cash flows used in financing activities		-

Makueni County Referral level 5 Hospital (Makueni County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

Net increase/(decrease) in cash and cash equivalents		23,563,446
Cash and cash equivalents at 1 July		9,877,531
Cash and cash equivalents at 30 June 2022	27	33,440,977

The cash flow statements have been prepared using the direct method of cash flow preparation.
The notes set out on pages 23 to 40 form an integral part of the Annual Financial Statements.

The Hospital's financial statements were approved by the Board on 24/06/2024 and signed on its behalf by:


.....
Bishop Joseph Kanuku
Chairman
Board of Management


.....
Peninnah Ndunda
Head of Finance
ICPAK No:


.....
Martha Munyao
Chief Executive Officer

XVII. Statement Of Comparison of Budget and Actual Amounts For The Year Ended 30 June 2022

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% over utilization
	a	b	c=(a+b)	d	e=(c-d)	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Transfers from the County Government	114,697,301	-	114,697,301	114,697,301	-	100%
Grants from donors and development Partners	1,054,250	-	1,054,250	311,487	742,764	30%
Transfers from other Government Entities		-	-	-	-	
Public contributions and donations		-	-	-	-	
Rendering of services-Medical Service Income	43,684,312	-	43,684,312	45,601,491	(1,917,179)	104%
Revenue from rent of facilities	129,500	-	129,500	129,500	-	100%
Finance/interest income	-	-	-	-		
Other receipts–NHIF&LINDAMAMA	70,159,304	-	70,159,304	90,239,848	(20,080,544)	129%
Total income	229,724,667	-	229,724,667	250,979,627	(21,254,960)	109%
Expenses						
Medical/Clinical costs	112,168,618	-	112,168,618	111,434,296	734,322	99%
Employee costs	51,295,544	-	51,295,544	50,544,014	751,530	99%
Remuneration of directors	142,500	-	142,500	130,500	12,000	92%
Repairs and maintenance	14,572,471	-	14,572,471	14,491,084	81,387	99%
Grants and subsidies	-	-	-	-	-	
General expenses	47,520,997	-	47,520,997	46,887,150	633,847	99%

Makueni County Referral level 5 Hospital (Makueni County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

Finance costs	-	-	-	-	-	
Refunds	-	-	-	-	-	
Total Expenses	225,700,130	-	225,700,130	223,487,044	2,213,086	99%
Surplus for the period	4,024,537		4,024,537	27,492,583	(23,468,046)	
Capital expenditure	4,024,537	-	4,024,537	4,012,537	12,000	100%

Budget notes

Reconciliation of actual on comparable basis

Total actual income on comparable basis-	250,979,627
Add: in kind contribution from County government	52,657,894
Total as per statement of financial performance	303,637,520

Total actual expenses on comparable basis	223,487,044
Add: in kind contribution from County government	52,657,894
Add depreciation & amortization expense	334,070
Total as per statement of financial performance	276,479,008

The notes set out on pages 23 to 40 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on. 24/06/2024 and signed on its behalf by:



Bishop Joseph Kanuku
 Chairman
 Board of Management



Peninnah Ndunda
 Head of Finance
 ICPAK No:



Martha Munyao
 Chief Executive Officer

XVIII. Notes To the Financial Statements

1. General Information

Makueni County Referral Hospital is established by and derives its authority and accountability from PFM Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is provision of health care services.

2. Statement of Compliance And Basis Of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the Hospital's accounting policies. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the 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 1st January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

Notes to the Financial Statements (Continued)

New and amended standards and interpretations in issue but not yet effective in the year ended 30th June 2022.

Standard	Effective date and impact:
IPSAS41: Financial Instruments	Applicable: 1st January 2023: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • Applying a single classification and measurement model for financial assets that considers the characteristics of the assets cash flows and the objective for which the asset is held; • Applying a single forward looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS42: Social Benefits	Applicable: 1st January 2023 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess: (a) The nature of such social benefits provided by the Entity; (b) The key features of the operation of those social benefit schemes; and

	(c)The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS41, Financial Instruments	Applicable:1st January2023: a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS41was issued. b) Amendments to IPSAS30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS41was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS41was issued. Amendments to IPSAS33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41was issued.
Other improvements to IPSAS	Applicable1stJanuary2023 • <i>IPSAS22: Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA2008). • <i>IPSAS39:Employee Benefits</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • IPSAS29:Financial instruments: Recognition and Measurement Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS41 which is applicable from 1st January2023.
IPSAS43	Applicable1stJanuary2025 The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessor 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 Entity. The new standard requires entities to recognize, measure and present information on right of use assets and lease liabilities.
IPSAS44:Non-Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> The Standard requires, 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: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.

i. Early adoption of standards

The entity did not early-adopt any new or amended standards in the year 2021/22

4. Summary Of Significant Accounting Policies

(a) Revenue recognition

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

Notes to the Financial Statements (Continued)

Revenue from exchange transactions

Rendering of services

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

Sale of goods

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

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that assets 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 shareholders or the entity's right to receive payments is established.

Rental income

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

(b) Budget information

The original budget for FY 2021/2022 was approved by Board on 19/07/2021 for FIF 18,774,740.00, Linda Mama 10,502,396.00 and Kids OR Ksh. 753,250.00; on 12/10/2022 FIF Ksh. 20,974,365, Linda Mama Ksh. 4,967,910.00, UHC Ksh. 34,000,000.00; on 08/11/2021 Ksh. 257,000.00; on 13/01/2022 FIF Ksh. 20,028,066.00, Linda Mama Ksh. 2,387,230; UHC Ksh. 34,000,000.00, R11 Ksh. 1,304,973; on 09/02/2022 Ksh. 660,000.00 on 19/04/2022 Ksh. 23,825,649.00, Linda Mama Ksh. 8,951,760.00, UHC Ksh. 43,000,000.00 and Kids OR Ksh. 301,000.00; on 06/06/2022 Ksh. 3,304,000.00. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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

budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actual as per the statement of financial performance has been presented under section **XVII** of these financial statements.

(c) Taxes

Sales tax/ Value Added Tax

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

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

(d) Investment property

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

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

(e) Property, plant and equipment

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

(f) Leases

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

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

Finance charges are recognized as finance costs in surplus or deficit.

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

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

(g) Intangible assets

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

(h) Research and development costs

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets.

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

(i) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity 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 Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred „loss event“) and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or an entity 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 Entity 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.

(j) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through

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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 labor, and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

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

(k) Provisions

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

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

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

Contingent liabilities

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

Contingent assets

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that development is 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.

(l) Changes in accounting policies and estimates

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

(m) Employee benefits

Retirement benefit plans

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

(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 entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the Medical Superintendent, Government of Makueni County, The County department of Health services, Hospital Management Committee, Hospital Executive Expenditure Committee, and Hospital Management Team.

(q) Service concession arrangements

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

(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 Kenya Commercial Bank at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprest and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

(s) Comparative figures

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

(t) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

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

Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by the 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. Transfers From The County Government

Description	2021/22
	KShs
Unconditional grants	
Operational grant-UHC	111,000,000
Operational grant-R111	3,697,301
Level 5 grants	-
Other grants	-
	-
Conditional grants	
User fee forgone	-
Transforming health services for Universal care project (THUCP)	-
DANIDA	-
Wards Development grant	-
Pediatric block grant	-
Administration block grant	-
Laboratory grant	-
Total government grants and subsidies	114,697,301

b Transfers from the County Government

Name of the Entity sending the grant	Amount recognized to Statement of financial performance KShs	Amount deferred under deferred income KShs	Amount recognized in capital fund.	Total grant income during the year	Total 2021/22
			KShs	KShs	KShs
Makueni County Government	114,697,301.00	-	-	-	114,697,301
Total	114,697,301.00	-	-	-	114,697,301

7. In Kind Contributions from The County Government

Description	2021/22
	KShs
Salaries and wages	-
Pharmaceutical and Non-Pharmaceutical Supplies	41,592,378
Medical supplies-Drawings Rights(KEMSA)	-
Utility bills	11,065,516
Total grants in kind	52,657,894

These are payments made directly by the County Governments for Pharmaceutical and Non-Pharmaceutical Supplies and Utility bills. They are recorded both as income and expense for completeness of financial statement

8. Grants From Donors and Development Partners

Description	2021/22
	KShs
Cancer Centre grant-DANIDA	-
World Bank grants	-
Pediatric ward grant-JICA	-
Research grants	-
Other grants-KIDSOR	311,487
Other grants-Embassy of Slovakia	
Total grants from development partners	311,487

Ksh. 311,486.5 Grant given to support launch event of the pediatric Theatre funded by Smile Train through Kids Operating Room. Ksh 753,250 Grant given to support renovation of pediatric Theatre to make it pediatric friendly funded by Smile Train through Kids Operating. Ksh. 347,055 being 30% balance for grant by Slovak Agency for International Development Cooperation for equipping the hospital with medical beds.

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8(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 recognized in capital fund.	Total grant income during the year
	KShs	KShs	KShs	KShs
Donor e.g., DANIDA	-	-	-	-
JICA	-	-	-	-
World Bank	-	-	-	-
Total	-	-	-	-

9. Transfers From Other Government Entities

Description	2021/22
	KShs
Transfer from National Government (Ministry of Health)	-
Transfer from National Hospital Insurance Fund	
Transfer from..... Institute	-
Total Transfers	-

10. Public Contributions and Donations

Description	2021/22
	KShs
Public donations	-
Donations from local leadership	-
Donations from religious institutions	-
Donations from other international organizations and individuals	-
Other donations-Family Bank	-
Donations in kind-amortized	-
Total donations and sponsorships	-

Donation by Family Bank to buy Chemotherapy chairs.

10(a) Reconciliations of amortized grants

Description	2021/22
	KShs
Balance unspent at beginning of year	-
Current year receipts	-
Amortized and transferred to revenue	-
Conditions to be met—remain liabilities	-

11. Rendering of Services-Medical Service Income

Description	2021/22
	KShs
Pharmaceuticals	2,217,443
Non-Pharmaceuticals	-
Laboratory	5,087,470
Radiology	6,610,599
Orthopedic and Trauma Technology	2,058,700
Theatre	146,030
Accident and Emergency Service	2,152,147
Anesthesia Service	-
Ear Nose and Throat service& other clinics	1,574,945
Nutrition service	-
Cancer Centre service	-
Dental services	134,150
Reproductive health	-
Pediatrics services	-
Fare well home services	2,355,099
Other medical services income-	-
Health Records-Cards &files	3,096,179
Inpatient	15,610,023
Outpatient	1,047,268
Ambulance services	777,000
Renal	638,900
Medical examination	207,300
MedicalreportsP3	41,000
Physiotherapy	212,200
Occupational therapy	5,500
ICU	1,629,538
Total revenue from the rendering of services	45,601,491

12. Revenue from Rent of Facilities

Description	2021/22
	KShs
Residential property	-
Commercial property	129,500
Total Revenue from rent of facilities	129,500

Ksh. 102,000 rental income from 3 kiosks within the facility compound-Ksh. 3,500 for MCRH Mpesa

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Kiosk, Ksh. 2,500 for MCRH Coca-Cola Kiosk, Ksh. 2,500 for Mother & child Mpesa Kiosk. Ksh. 27,500 was rent arrears for Mother & child Mpesa Kiosk for 2020.2021 FY

13. Finance/Interest Income

Description	2021/22
	KShs
Cash investments and fixed deposits	-
Interest income from short-term/current deposits	-
Interest income from Treasury Bills	-
Interest income from Treasury Bonds	-
Interest from outstanding debtors	-
Total finance income	-

14. Other Income

Description	2021/22
	KShs
Insurance recoveries-NHIF	86,294,946
Insurance recoveries-Makueni Care Insurance Scheme	3,125,500
Income from sale of tender	
Income from Attachment fee	240,000
Income from safety boxes and waste disposal	6,400
Income for pitching tent at the hospital compound	7,000
Income from Wote Technical	138,003
Insurance-AON MINET	351,679
Insurance-AAR	13,320
Income from sewerage services	63,000
Total other income	90,239,848

15. Medical/Clinical Costs

Description	2021/22
	KShs
Dental costs/materials	135,130
Laboratory chemicals and reagents	16,258,758
Public health activities	-
Food and Ration	24,099,972
Uniform, clothing, and linen	1,310,970
Dressing and Non-Pharmaceuticals	40,494,159
Pharmaceutical supplies	12,120,682
Health information stationery	2,964,700
Reproductive health materials	-
Sanitary and cleansing Materials	6,398,675
Purchase of Medical gases	1,075,000
X-Ray/Radiology supplies	4,355,700
Other medical related clinical costs	-
Ophthalmology Supplies	1,466,150
Rehabilitative unit supplies	396,400
Surgical Implants	358,000
Total medical/clinical costs	111,434,296

16. Employee Costs

Description	2021/22
	KShs
Salaries, wages, and allowances	38,083,464
Contributions to pension schemes	351,400
Service gratuity	-
Performance and other bonuses	-
Staff medical expenses and Insurance cover	-
Group personal accident insurance and WIBA	-
Social contribution	-
Other employee costs -Locum	12,109,150
Employee costs	50,544,014

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17. Board of Management Expenses

Description	2021/22
	KShs
Chairman's Honoraria	-
Sitting allowance	79,500
Mileage	-
Insurance expenses	-
Induction and training	-
Travel and accommodation allowance	51,000
Airtime allowances	-
Total	130,500

18. Depreciation And Amortization Expense

Description	2021/22
	KShs
Property, plant and equipment	717,302
Intangible assets	-
Investment property carried at cost	-
Total depreciation and amortization	717,302

19. Repairs And Maintenance

Description	2021/22
	KShs
Property-Buildings	5,810,593
Medical equipment, Plant & Machinery	7,705,876
Office equipment	-
Furniture and fittings	-
Computers and accessories	504,200
Motor vehicle expenses	470,415
Maintenance of civil works	-
Total repairs and maintenance	14,491,084

20. Grants and Subsidies

Description	2021/22
	KShs
Community development and social work	-
Education initiatives and programs	-
Free/subsidized medical camp	-
Disability programs	-
Free cancer screening	-
Other grants and subsidies(<i>specify</i>)	-
Total grants and subsidies	-

21. General Expenses

Description	2021/22
	KShs
Advertising and publicity expenses	61,300
Catering expenses	1,475,442
Waste management expenses	-
Insecticides and rodenticides	-
Audit fees	-
Bank charges	151,984
Conferences and delegations	-
Consultancy fees	-
Contracted services	18,264,392
Electricity expenses	12,000
Insurance	-
Research and development expenses	-
Travel and accommodation allowance	1,659,780
Legal expenses	-
Licenses and permits	120,000
Courier and postal services	25,740
Printing and stationery	9,319,180
Hire charges	-
Rent expenses	206,000
Water and sewerage costs	5,277,008
Skills development levies	-
Telephone and mobile phone services	1,024,000
Internet expenses	115,000
Staff training and development	-
Subscriptions to professional bodies	-
Subscriptions to newspapers periodical, magazines, and gazette notices	-
Library books/Materials	-
Parking charges	-
Refined Fuel for transport	4,766,309
Other Operating expenses	4,409,015
Total General Expenses	46,887,150

22. Finance Costs

Description	2021/22
	KShs
Borrowings (amortized cost)*	-
Finance leases(amortized cost)	-
Interest on Bank overdrafts/Guarantees	-
Interest on loans from commercial banks	-
Total finance costs	-

23. Gain/Loss On Disposal Of Non-Current Assets

Description	2021/22
	KShs
Property, plant, and equipment	-
Intangible assets	-
Other assets not capitalized (<i>specify</i>)	-
Total gain on sale of assets	-

24. Unrealized Gain on Fair Value Investments

Description	2021/22
	KShs
Investments at fair value	-
Total gain	-

25. Medical Services Contracts Gains/Losses

Description	2021/22
	KShs
Comprehensive care contracts with NHIF	2,927,918
Non-Comprehensive contracts care with NHIF	-
Linda Mama Program	-
Waivers and Exemptions	(9,480,560)
Total Gain/Loss	(6,552,642)

26. Impairment Loss

Description	2021/22
	KShs
Property, plant, and equipment	-
Intangible assets	-
Total impairment loss	-

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27. Cash And Cash Equivalents

Description	2021/22
	KShs
Current accounts	33,440,977
On-call deposits	-
Fixed deposits accounts	-
Cash in hand	-
Others(<i>specify</i>)-Mobile money	-
Total cash and cash equivalents	33,440,977

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

Description		2021/22
Financial institution	Account number	KShs
a)Current account		
Kenya Commercial bank	1,148,295,070	33,433,498
Kenya Commercial bank	1,146,201,982	7,479
Equity Bank, etc.		-
Sub-total		33,440,977
b)On-call deposits		
Kenya Commercial bank		-
Equity Bank – etc.		-
Sub-total		-
c)Fixed deposits account		-
Bank Name		-
		-
Sub-total		-
d)Others(<i>specify</i>)		-
Cash in hand		-
Mobile money-Mpesa, Airtel money		-
Sub-total		-
Grand total		33,440,977

28. Receivables From Exchange Transactions

Description	2021/22
	KShs
Medical services receivables-NHIF	4,661,957
Medical services receivables-Wote Technical	254,485
Rent receivables	-
Other exchange debtors	-
Less: impairment allowance	-
Total receivables	4,916,442

29. Receivables from Non-Exchange Transactions

Description	2021/22
	KShs
Transfers from the County Government	-
Undisbursed donor funds	-
Other debtors(<i>non-exchange transactions</i>)	-
Less: impairment allowance	-
Total	-

30. Inventories

Description	2021/22
	KShs
Pharmaceutical supplies	12,976,955
Maintenance supplies	-
Food supplies	251,543
Linen and clothing supplies	695,500
Cleaning materials supplies	83,400
General supplies	-
Less provision for impairment of stocks	-
Non-pharmaceuticals	12,354,094
Total	26,361,492

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31. Property, Plant and Equipment

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings and office equipment	ICT Equipment	Plant and Medical equipment	Capital Work in progress	Total
Cost								
At 1 st July 2021	-	699,438	-	119,268	654,200	1,949,112	-	3,422,018
Additions	-	2,580,767	-	341,910	485,600	520,860		3,929,137
Disposals	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-
At 30 th June 2022	-	3,280,205	-	461,178	1,139,800	2,469,972	-	7,351,155
	-	-	-	-	-	-	-	-
Depreciation and impairment	-	-	-	-	-	-	-	-
At July 2021	-	14,909-	-	17,486	243,639	218,067	-	494,100

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Depreciation	-	81,632	-	55,462	298,720	281,488		717,302
Disposals		-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-	-
At 30th June 2022	-	96,541	-	72,947	542,359	499,555	-	1,211,403
			-				-	-
Net book values			-				-	-
At 30 th June 2021	-	-	-	-	-	-	-	-
At 30 th June 2022	-	3,183,664	-	388,231	597,441	1,970,417	-	6,139,752

Valuation of assets had not been done at the time of preparing the financial statements. However, there are plans by the County Government to do a valuation of assets.

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32. Intangible Assets-Software

Description	2021/22
	KShs
Cost	-
At beginning of the year	-
Additions	-
Additions-Internal development	-
Disposal	-
At end of the year	-
	-
Amortization and impairment	-
At beginning of the year	-
Amortization for the period	-
Impairment loss	-
At end of the year	-
NBV	-

33. Investment Property

Description	2021/22
	KShs
At beginning of the year	-
Additions	-
Fair value gain	-
Depreciation(<i>where investment property is at cost</i>)	-
At end of the year	-

34. Trade And Other Payables

Description	2021/22
	KShs
Trade payables	47,293,435
Employee dues	3,342,590
Third-party payments (<i>unremitted payroll deductions</i>)	-
Audit fee	-
Doctors "fee	-
Total trade and other payables	50,636,025

35. Refundable Deposits from Customers/Patients

Description	2021/22
	KShs
Medical fees paid in advance	-
Credit facility deposit	-
Rent deposits	-
Others(<i>specify</i>)	-
Total deposits	-

36. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year	-	-	-	-
Additional Provisions	-	-	-	-
Provision utilized	-	-	-	-
Change due to discount & time value for money	-	-	-	-
Total provisions	-	-	-	-
	-	-	-	-
Current Provisions	-	-	-	-
Non-Current Provisions	-	-	-	-
Total Provisions	-	-	-	-

37. Finance Lease Obligation

Description	2021/22
	Kshs
Current Lease obligation	-
Long term lease obligation	-
Total	-

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38. Deferred Income

Description	2021/22
	KShs
Current Portion	-
Non-Current Portion	-
Total	-

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

Description	National government	International funders/donors	Public contributions and donations	Total
Balance b/f	-	-	-	-
Additions during the year	-	-	-	-
Transfers to Capital fund	-	-	-	-
Transfers to statement of Financial performance	-	-	-	-
Other transfers (<i>Specify</i>)	-	-	-	-
Balance C/F	-	-	-	-

39. Borrowings

Description	2021/22
	KShs
Balance at beginning of the period	-
External borrowings during the year	-
Domestic borrowings during the year	-
Repayments of external borrowings during the year	-
Repayments of domestic borrowings during the year	-
Balance at end of the period	-

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

Description	2021/22
	KShs
Current Obligation	-
Non-Current Obligation	-
Total	-

40. Service Concession Arrangements

Description	2021/22
	KShs
Fair value of service concession assets recognized under PPE	-
Accumulated depreciation to date	-
Net carrying amount	-
Service concession liability at beginning of the year	-
Service concession revenue recognized	-
Service concession liability at end of the year	-

41. Cash Generated from Operations

	2021/22
	KShs
Surplus for the year before tax	20,222,638
Adjusted for:	
Depreciation	717,302
Non-cash grants received	(52,657,894)
Impairment	-
Gains and losses on disposal of assets	-
Medical losses	6,552,642
In kind contribution payments	33,299,802
Contribution to provisions	-
Contribution to impairment allowance	-
Working Capital adjustments	
Increase in inventory	(26,361,492)
Increase in receivables	(4,916,442)
Increase in deferred income	-
Increase in payables	50,636,025
Increase in payments received in advance	-
Net cash flow from operating activities	27,492,582

42. 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 Hospital's overall risk management programme focuses on the unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Hospital 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:

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(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 board. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the hospital's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the Hospital's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2021				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-
At 30 June 2022	-	-	-	-
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-

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

The board of management sets the Hospital'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 has built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Hospital under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed

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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 1month	Between 1- 3months	Over 5months	Total
	Kshs	Kshs	Kshs	Kshs
At30 June2021				-
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-
At30 June2022	-	-	-	-
Trade payables	13,171,123.00	37,072,902.20	392,000.00	50,636,025.20
Current portion of borrowings		-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	13,171,123.00	37,072,902.20	392,000.00	50,636,025.20

(iii) Market risk

The hospital doesn't have an internal audit unit and therefore relies on County internal audit function to assist it in assessing the risk faced by the entity on an on-going basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

a. Foreign currency risk

The Hospital does not face any transactional currency exposures. The hospital purchases goods and services in the local currency.

b. Interest rate risk

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

Management of interest rate risk

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

IV) Capital Risk Management

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

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

43. Related Party Balances

Nature of related party relationships

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

Government of Kenya

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

- I. The National Government
- II. The Ministry of Health
- III. The County Government of Makueni
- IV. The County Department of Health Services
- V. The Hospital Management Committee
- VI. The Hospital Management Team
- VII. Executive Expenditure Committee

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Description	2021/22
	Kshs
Transactions with related parties	
a) Services offered to related parties	
Services to related parties	-
Sales of services to related parties	-
Total	-
b) Grants from the Government	
Grants from County Government	114,697,301.00
Grants from the National Government Entities	-
Donations in kind.	-
Total	114,697,301.00
c) Expenses incurred on behalf of related party	
Payments of salaries and wages for employees	-
Payments for goods and services for employees	-
Total	-
d) Key management compensation	
Directors "emoluments	-
Compensation to the medical Sup	-
Compensation to key management	-
Total	114,697,301.00

Events after the Reporting Period

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

Ultimate and Holding Entity

The entity is a Semi- Autonomous Government Agency under the department of Health Services. Its ultimate parent is the County Government of Makueni.

Currency

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

XIX. APPENDICES

I: Projects Implemented by The Entity Projects

Projects implemented by the Hospital Funded by development partners

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the Donora agreement (Yes/No)	Consolidated in these financial statements(Yes/No)
1. Renovation of Mother and Child theatre to make it pediatric friendly		Kids OR	5 Months	751,510.00		Yes

