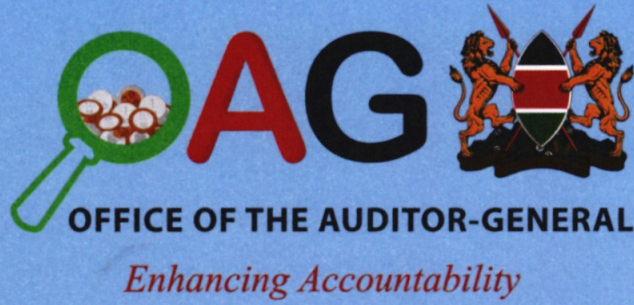
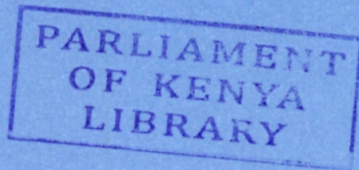


REPUBLIC OF KENYA



REPORT



OF

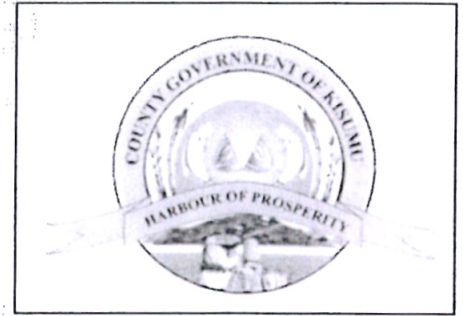
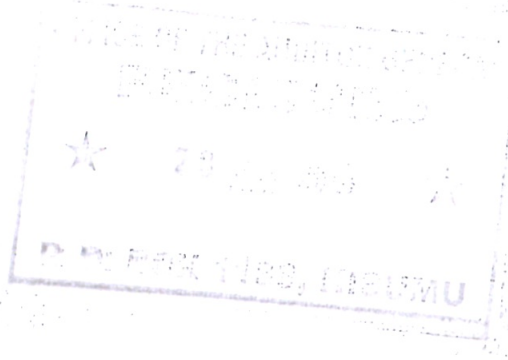
THE AUDITOR-GENERAL

ON

MIGOSI SUB-COUNTY HOSPITAL

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

COUNTY GOVERNMENT OF KISUMU



MIGOSI SUB COUNTY HOSPITAL

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2023

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



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1. Acronyms & Glossary of Terms

CSR	Corporate Social Responsibility
OSHA	Occupational Health & Safety Act
PFMA	Public Financial Management Act
MED SUP	Medical Superintendent
Fiduciary Management	Key management personnel who have financial responsibility in the entity.
BOM	Board of management
FS	Financial Statements
FY	Financial Year
IPSAS	International Public Sector Accounting Standards
Ksh	Kenya Shillings
NT	National Treasury
OAG	Office of Attorney General
OCOB	Office of the Controller of Budget
PFMA	Public Finance Management Act
PSASB	Public Sector Accounting Standard Board
PPE	Property Plant and Equipment
H.A.O	Health Administrative Officer
MSCH	Migosi Sub County Hospital
JOOTRH	Jaramogi Oginga Odinga Teaching and Referral Hospital
CGS	Corporate Government Statement
HMT	Health Management Team

2. Key Entity Information and Management

(a) Background information

MSCH Hospital is a level 4 hospital established under gazette notice number VOL.CXXI NO. 134 and is domiciled in Kisumu County under the Health Department. The hospital is governed by a Board of Management and the Health Management Team.

(b) Principal Activities

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

MISSION: To transform the livelihood of Kisumu County through responsive and sustainability technologically driven, evidence based and client centred health system for accelerated attainment of highest standards of health.

VISION: To develop MSCH to be an efficient and high quality healthcare system that is accessible, equitable and affordable for every Kenyan.



(c) Key Management

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

- County department of Medical Services, Public Health and Sanitation
- Board of Management
- Accounting Officer/ Medical Superintendent
- Health Management Team

(d) Fiduciary Management

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

No.	Designation	Name
1.	 Medical Superintendent	MRS. CAREN ATTA ODUOL
2.	 Health Administrative Officer	MRS. VERA ADELIN DOLLA
3.	 Nursing Officer In-charge	MRS. MILLICENT ANYANGO ORWA

(e) Fiduciary Oversight Arrangements

The fiduciary oversight arrangement of the hospital is done by;

Quality Improvement Committee

They oversight quality healthcare services to the patients and general clients' inquiries. The team ensures patients are given quality medical services while in the hospital for both inpatient and outpatient services. They observe time frame in which healthcare providers within the hospital take to serve patients.

The anti-corruption Committee

The oversight mandate of the anti-corruption committee is to ensure the hospital resources are properly utilized and that no corruption cases are observed or reported from either patients or staffs working within the hospital.

Clinical Research and standard Committee

This is a committee within the hospital responsible for doing clinical research to help the facility solve healthcare problems. They attend meetings and seminars organized by institutions doing clinical research such as KEMRI. It's headed by the clinical officers who are the focal persons in clinical research and standard setting. They conduct infection prevention control measures and emergency response strategies.

County Executive Committee

The County Executive Committee exercise executive authority in accordance with the constitution and county legislation.

(f) Entity Headquarters

P.O. Box 486 40100
Kisumu, next to Kondele Primary School, Along Kibos Road
Kisumu, KENYA

(g) Entity Contacts

Telephone: (+254) 706582268
E-mail: migosihealthcentre@gmail.com
Website: www.kisumucounty.go.ke

(h) Entity Bankers

Cooperative Bank of Kenya,
Kisumu East Branch
7199-40100
Kisumu

(i) Independent Auditors

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




(j) Principal Legal Adviser




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

(k) County Attorney



P.O. Box. 2738-40100
Kisumu, Kenya



3. The Board of Management



Ref	Name	Details
1.	<p>Mr. Alfred Ogol Abir</p> 	<p>Abir is the chairperson of the hospital board of management. He is 77 years old. Mr. Abir is a clinical officer and a trained orthopaedics and traumatology from Kenyatta National Hospital. He has served as clinical supervisor Nyanza Province. He has worked with CDC as a clinical supervisor. He has also served as board chairperson at Orlando Secondary School up to 2023. He was also a board member at Kondele Primary School up to 2021.</p>
2.	<p>Mr. Nemiah Harison Okello</p> 	<p>Nemiah is a board member of the hospital. He is a principal registered clinical officer and is aged 72 years old. He holds a bachelor degree in clinical medicine and surgery from the University of Nairobi. He is currently the finance representative in the board of management of the hospital.</p>
3.	<p>Mrs. Sarah Makunda Ambunya</p> 	<p>Sarah is a board member of the hospital representing the women. She is 65 years old. She has worked with the KEMRI and CDC. She is a leader of revolving fund of Kisumu County, Kisumu Central. She is a community representative of the women and ensures service delivery for the women.</p>



4.	<p>Mr. Stephine Nyapere</p> 	<p>Mr.Nyapere is a board member of the hospital and is 55 years old. He represents the youths in the board of management. He holds a diploma certificate in construction and engineering. He is a registered member of the National Construction Authority.</p>
5.	<p>Rev. Nashon Ochieng Sijeni</p> 	<p>Rev. Nashon is a board member of the hospital and represents the faith based. He is 49 year old and holds a diploma in Bible and Pastoral Ministry. He is currently a student of St. Paul University pursuing a bachelor degree in Divinity.</p>
6.	<p>Mrs. Caren Atta Oduol</p> 	<p>Caren is the hospital Medical Superintendent and the facility in-charge. She is 47 years old. She holds a bachelor degree in clinical medicine from Uzima University College and she is a principal registered clinical officer. She is the secretary to the board of management, not a member of ICS.</p>



4. Key Management Team

Ref	Management	Details
1.	 <p>Mrs.Caren Atta Oduol</p> <p>She holds a bachelor degree in clinical medicine from Uzima University College and she is a principal registered clinical officer</p>	<p>Medical Superintendent of the Hospital.</p>
2.	 <p>Mrs.Vera Adeline Dolla.</p> <p>She holds a bachelor degree in Business administration from Maseno University.</p>	<p>Health Administrative Officer of the hospital</p>

3.	 <p>Mrs. Millicent Orwa. She holds Bsc in Nursing with 20yrs experience in the nursing field.</p>	Nursing officer in-charge
4.	 <p>Mrs. Tabither Adhiambo. She holds higher diploma in haematology with work experience of 26yrs and is registered with KMLTTB.</p>	Laboratory In-charge

5.	 <p>Dr. Miriam Ouma. She is a professional pharmacist and holds a bachelor degree from University of Nairobi with 7yrs experience and 5yrs experience in a hospital set up.</p>	Pharmacist In-charge
6.	 <p>Mr. Benard Ndemo He holds a diploma certificate in occupational therapy from KMTC.</p>	Occupational Therapist In-charge

7.	 <p>Mr. Alphonse Odhiambo He holds a diploma certificate in Health Records and Information Management.</p>	Records and Information Officer In-charge.
8.	 <p>Mr. Charles Obiero He holds a diploma certificate in nutrition and Dietetics from KMTC with 3yrs experience.</p>	Nutritionist Officer In-charge

9.	 <p>Mr. George Akuga He holds a diploma certificate in Community Health and Psychological Counselling from University of Nairobi.</p>	Facility CHA In-charge
10.	Mr. Ernest Odongo	Radiologist Officer In-charge
11.	 <p>Mr. Edwin Oruko He holds a bachelor degree in Public Health, with IT from Maseno University</p>	Public Health Officer

5. Chairman's Statement

BACKGROUND

MSCH main mandate isto transform the livelihood of Kisumu County through responsive and sustainability technologically driven, evidence based and client centred health system for accelerated attainment of highest standards of health. It serves as a centre for research activities through partner program activities, training for medical student and health workers. MSCHthrive to provide healthcare services as set out in its mandates and is ready for the dynamic healthcare and environmental changes.. The financial statements present the financial performance of the fund in relation to ensuring affordable and quality healthcare provision.

STRATEGIC DIRECTION

The overwhelming need and challenges provide opportunities for strategic thinking about the future of the facility outlook. It shaped the change process that the Board of Management suggested theface lifting of the facility to secure a sustainable future. The Board made radical decisions to restructure and rationalize the facility core business centers to optimize their performance.MSCH will implement a set of priority activities organized around the following eight key strategic choices in the period set in this strategic plan:

- ❖ Clinical services and products
- ❖ Healthcare financing and sustainability
- ❖ Quality improvement
- ❖ Leadership and governance
- ❖ Health information and research

ACHIEVEMENTS

The Board of Management and hospital management realized great achievement in terms of revenue generation, which has grown compared to the previous financial year 2021/2022, infrastructural development including the construction of additional patient waiting bays, acquisition of air conditioners at the pharmacy stores underway renovation of maternity ward, additional beds to increase bed capacity among other achievements.

6. Report of The Medical Superintendent

BACKGROUND

Migosi Sub County Hospital has been in existence for more than a century to cater for the health needs of the community of Migosi area, Kisumu Central and the entire Kisumu region. MSCH exists and operates within a broader socio-economic and political context. The understanding of this environment is critical in enabling the hospital to position itself to take advantage of emerging opportunities. As a public hospital, MSCH is governed by the policies and regulations set out by both the National and County government, department of Medical Services, Public Health and Sanitation. The main mandate of MSCH is to provide curative, preventive and promotive health services. It offers both inpatient and outpatient clinical services in various disciplines. It also serves as training for students and health workers. The hospital has 99 staff: consisting regular staffs, contracted county staffs, program staffs and Casuals.

FINANCE

The facility revenue is derived from Facility improvement funds (FIF) and County grants through allocation of recurrent funds. FIF funds are generated from cash collection through user fees, NHIF scheme and Kisumu County Social Health Insurance. During this financial year the hospital has realized slight improvement of revenue compared to the last financial 2021/2022. The number of patients' admissions Increased slightly as compared to last financial year while the Mortality rate has significantly dropped. The key drivers of our revenue included Radiology, Pharmacy, Laboratory and Maternity, which contributed to the total revenue.

Expenditure

The total expenditures during the period amounted to Kshs. 8,394,032. Most of the consumption of the budget were Medical drugs, Staff remunerations, Non-pharmaceuticals, patient's food, Laboratory, Contracted Services among others.

Deficit

The facility has a huge deficit currently. The deficit has largely been attributed to inconsistent release of funds to the facility especially the county allocations. Before the implementation of FIF act, the facility was dependant on county grants. Over the years, these funds were not released in time hence the accumulated deficits.

STRATEGY

This plan intends to sustain a competitive business like orientation to achieve improved client satisfaction, financial sustainability, and infrastructure development that reflects modern standards in medical practice. The strategy is characterized by both Growth and social responsibility and transformative initiatives that will see the facility.

ACHIEVEMENTS

The Board of Management and facility management realized great achievement in terms of revenue generation, which has grown compared to the previous financial year 2020/2021, infrastructural development such the construction of new patient waiting bay, renovations of maternity wards (underway) and the installation of air conditioners at the pharmacy stores.

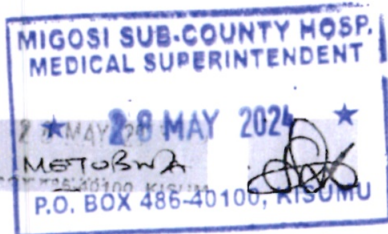
CHALLENGES

MSCH has a number of challenges ranging from financial constraints, inadequate human resource to operate a 24 hour system, power back up systems among other key challenges.

APPRECIATION

I take this opportunity to express my sincere gratitude and appreciation to the county government of Kisumu, development partners, stakeholders, management and staff for their continued support, which enabled the facility to achieve these results. I look forward to your continued support in the year 2023/2024

EVERLYNE



Name

Secretary to the Board

7. Statement of Performance Against Predetermined Objectives

MSCH has 4 strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2022- FY 2023. These strategic pillars/ themes/ issues are as follows:

1. Quality Improvement
2. Leadership and governance
3. Health information and research
4. Healthcare financing

MSCH develops its annual work plans based on the above 5 pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The *hospital* achieved its performance targets set for the FY 2022/2023 period for its four strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Quality Improvement	<ul style="list-style-type: none"> ❖ Ensure quality is observed. ❖ Customer care services. ❖ Service time frame. 	<ul style="list-style-type: none"> ❖ Training committees ❖ Customer care desk ❖ Triaging services 	<ul style="list-style-type: none"> ❖ Customer care services ❖ Triaging services ❖ Training of staffs 	<ul style="list-style-type: none"> ❖ Triaging staffs trained ❖ Increased number of triaging staffs ❖ Continuous meetings to communicate challenges

				❖ CHV posted at customer care desk
Leadership and governance	<ul style="list-style-type: none"> ❖ Policy formulation ❖ Policy dissemination and implementation 	<ul style="list-style-type: none"> ❖ Number of HMT meetings ❖ Med. Sup. Contract performance ❖ HAO meetings with support staffs 	<ul style="list-style-type: none"> ❖ Implementation of work plan ❖ Monthly HMT meetings ❖ Board meetings 	<ul style="list-style-type: none"> ❖ Board meetings achieved ❖ Support staff contract signed
Healthcare information and research	<ul style="list-style-type: none"> ❖ Strengthen health information ❖ Ethical research activities 	<ul style="list-style-type: none"> ❖ System maintenance register ❖ Health record documentation 	<ul style="list-style-type: none"> ❖ Proper record keeping ❖ Ease of retrieval of documents ❖ Observing ethics ❖ Promote internally driven research 	<ul style="list-style-type: none"> ❖ Increase in health talks ❖ Committees in place and active
Healthcare financing	<ul style="list-style-type: none"> ❖ Increase revenue through user fees, NHIF, 	<ul style="list-style-type: none"> ❖ Revenue reports ❖ Percentage increase 	<ul style="list-style-type: none"> ❖ Review user fees charge sheet ❖ Increase customer 	<ul style="list-style-type: none"> ❖ More enrolled NHIF patients ❖ Mpesa

	Linda Mama and EduAfya	in revenue ❖ Financial reports ❖ Increase in resource allocatio ns	base ❖ Provide mpesa services through pay bills ❖ Increase use of financial and procurement policies	pay bill at all stages ❖ Financial and procurem ent policies in place ❖ Review of user fees ❖ More schools reached for eduafya
--	---------------------------------	--	--	--

8. Corporate Governance Statement

Corporate governance of the facility is the responsibility of the board of management of the hospital and is accountable to the department of medical services, public health and sanitation, Kisumu County for ensuring that the facility complies with the regulations and the standards of corporate governance and business ethics.

Board of Management

The Board of Management is composed of non-executive members elected by the governor of Kisumu County. The Appointed Board of Management to be held accountable and responsible for the efficient and effective governance of the facility. Members of the Board have a range of skills and experience each bringing an independent judgment and considerable knowledge to the Board discussions. The board term is five years renewal subject to performance.

Summarized below are the key roles and responsibilities of the Board of management:

- ❖ Approve and adopt strategic plans and annual budgets, set objectives and review key risk and performance areas.
- ❖ Youths representation
- ❖ Resource Mobilization
- ❖ Determine overall policies and processes to ensure integrity of the facility management of risk and internal contracts
- ❖ Review at regular meetings Management performance against approved budget.

The Board meets at least four times that is on a quarterly basis in a year and the Chairperson has bi-weekly meetings/Consultations with the Medical Superintendent or the Health Administrative Officer. The Board members are given appropriate and timely information so that they can maintain full and effective control over strategic, financial, operational and compliance issues. Except for direction and guidance on general policy, the Board has delegated authority for conduct of day-to-day business to the Medical Superintendent.

Board Meetings

The Board as per the Annual work plan meets quarterly or additionally when necessary to consider matters of overall control of the facility. The Board agenda and work plan are prepared early in the year and adequate notice, agenda and Board papers are circulated within stipulated timelines. The Board of management held four meetings attended by selected members.

Board Remuneration

Non-Executive Members provide services to the facility to which they are entitled to an allowance; the allowance is paid as per the government of Kenya allowance circulars.

Committees of the Board

The Board has three standing committees, which meet regularly under the terms of reference set by the Board. The standing committees as follows:

- ❖ Finance sub-committee
- ❖ Quality and Development Committee
- ❖ Resource Mobilization Committee

9. Management Discussion and Analysis

The considerations in restructuring an organization are effective coordination of duties and responsibilities to avoid duplication of tasks and effort; clear accountability for results; enhanced teamwork and effective communication; and career development for staff. Appropriate structures also allow the organization to resource and sustain essential skills and expertise in the organization.

The leadership and governance of MSCH is vested in the Hospital Management Board. The Board members are appointed in accordance with the policies of the County Government of Kisumu. The day-to-day management of the facility is vested on the Medical Superintendent.

The Medical Superintendent is assisted in performing the functions of her position by the Health Management Team (HMT), which consists of the Medical Superintendent and the Hospital Management Team (HMT). The HMT is made up of the divisional heads and heads of departments. MSCH has developed a governance framework defining the respective roles of health management team.

Clinical/operational performance

		FY 2021-2022	FY 2022-2023
Patients Attendance; Outpatient and inpatient attendance	Outpatient	201,423	265,452
	Inpatient/Admission	9,884	19,687
Bed Capacity		15	25
Accident and Emergency, emergency room attendance		1,440	4,243
Specialised Clinic Attendance		16,567	43,734
Average length of stay, inpatient		3.5 days	5.5 days
Bed occupancy Rate		38%	49%
Mortality Rate		2%	0.9%
Maternity; Deliveries		2,189	3,875

Note:

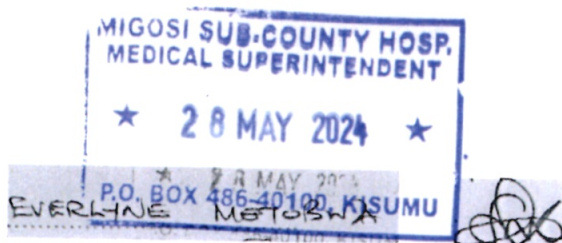
Figures are low generally between the year 2020 and 2021 due to the COVID 19 pandemic that affected service delivery at the hospital

Financial performance that includes;

Revenue sources,

MSCH revenue Sources Includes:

- ❖ Conditional Grants from the County Government of Kisumu
- ❖ User Fees Comprising of;
 - Cash collection
 - Nhif Collections
 - Marwa scheme,
 - Training fees



Name

Secretary to the Board

10. Environmental And Sustainability Reporting

MSCH exists to transform lives. This is what guides us to deliver our strategy, putting the patients/clients a first priority, delivering health services, and improving operational excellence. Below is an outline of the facility policies and activities that promote sustainability

i) Sustainability strategy and profile

MSCH and its stakeholders are increasingly emphasizing on the need to ensure sustainability for both its investments and its resource mobilization and financing capabilities with an objective of ensuring that MSCH going concern is secured. The hospital has conducted a basic assessment of available options for feasible financing tools that would assure the hospital of its long-term sustainability. The hospital has reviewed its current resource mobilization strategies and proposed feasible sustainability financing options that include:

- ❖ Face lifting of the hospital
- ❖ Enhancing Client satisfaction through quality service care
- ❖ Bringing on board more financial institutions i.e. lobbying for more engagement with other insurance firms

ii) Environmental performance

MSCH in collaboration with other health facilities within Kisumu Central is using the National Health Care Waste Management policy guideline which is guiding it in the management of the waste that it generate in the in the process of service delivery.

iii) Successes

- ❖ We are having color-coded bins at all generation points in the departments and within the hospital.
- ❖ There are segregation posters alongside the receptacles to guide in the segregation of waste.
- ❖ We have collaborated with JOOTRH that helps the facility to dispose its waste especially the contaminated once through incineration.

Challenges

- ❖ Transport cost to JOOTRH for waste disposal
- ❖ Shortage of staffs.
- ❖ Delay of funds disbursement.

Efforts to Reduce Environmental Impact of Waste Products

- ❖ The waste passes through a microwave during treatment process, which renders it harmless before they are taken to the dumpsite.
- ❖ The incinerator burns the waste at a very high temperature and the products is harmless

iv) Employee welfare

Hiring process involves bringing new employees on board. This is the mandate of the County Public Service Board reference made from the Public Service Commission Human Resource Manual and procedures May 2016, mentioned in section B which provides the rules governing recruitment and appointment of new officers.

Improvement of employee skills and career management is done through employee sponsorship to further their studies in line with their careers. This is done by sponsorship and supporting employees to attend short courses offered by the government institutions.

- ❖ Training programs are based on the identified needs from the training needs assessments and are emphasized for performance improvement addressing both individual and organizational goals.
- ❖ Performance management system is a process conducted by the employer to identify areas of weakness and support the individuals in order to get better results. It is an annual exercise intended to provide employees with clear understanding of job expectations, regular feedback on performance, advice and steps for improving performance, rewards for good performance and actions for poor performance. It helps to measure performance and ultimately the achievement of intended results for the organization.
- ❖ The Human Resource Manual procedures also provides for guidelines and standards for the prevention and protection of officer against accidents and occupational hazards arising at the work place. It provides for guidelines, procedures and

modalities for the administration and payment of compensation for work related injuries and accidents contracted while and in the course of employment.

v) *Market place practices-*

Responsible competition practice.

This is effectively done through proper utilization of the available website (County Website) for advertisement purposes as well as making good use of the instituted internal committees to help minimize anticorruption.

a) *Responsible Supply chain and supplier relations*

All suppliers are prequalified and shortlisted by the County Government at Kisumu County Referral hospital. The facility selects the suppliers from the list for supplies and deliveries to the hospital. We maintain our selected suppliers from the list and they have been supplying the facility with commodities for over five years.

vi) *Corporate Social Responsibility / Community Engagements*

- ❖ Support to adolescent leaving with HIV/Aids being trained on photography supported by partner program to ensure self-reliance.
- ❖ Based on assessment, patients have reduced medical cost including waivers given by the hospital.

11. Report of The Board of Management

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

Principal activities

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

Results

The results of the entity for the year ended June 30 2023 are set out on pages 1 to 9

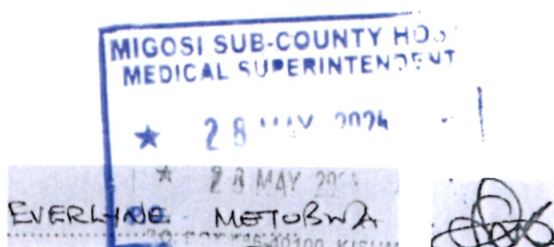
Board of Management

The members of the Board who served during the year are shown on preliminary pages. During the year, there was one board member who passed on that is Mr. Phillip Ojwang and has not been replaced.

Auditors

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

By Order of the Board



EVERLYNE METUBWA

Name

Secretary to the Board

12. Statement of Board of Management's Responsibilities

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

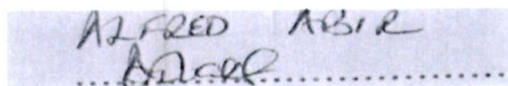
The Board of Management is responsible for the preparation and presentation of MSCH financial statements, which give a true and fair view of the state of affairs of MSCH for and as at the end of the financial year (period) ended on June 30, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of MSCH; (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 MSCH financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Board members are of the opinion that the MSCH financial statements give a true and fair view of the state of MSCH transactions during the financial year ended June 30, 2023, and of the MSCH financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for MSCH, which have been relied upon in the preparation of MSCH financial statements as well as the adequacy of the systems of internal financial control.

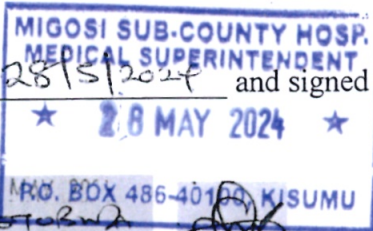

Nothing has come to the attention of the Board of management to indicate that MSCH will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Hospital's financial statements were approved by the Board on 28/5/2024 and signed on its behalf by:



Name:
Chairperson
Board of Management


MIGOSI SUB-COUNTY HOSP.
MEDICAL SUPERINTENDENT
★ 28 MAY 2024 ★
P.O. BOX 486-40100 KISUMU


Name:
Accounting Officer

13. Report of the Auditor General on the Financial Statement of MSCH

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 MIGOSI SUB-COUNTY HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2023 - COUNTY GOVERNMENT OF KISUMU

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Migosi Sub-County Hospital - County Government of Kisumu set out on pages 1 to 33, 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 the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Migosi Sub-County Hospital - County Government of Kisumu 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 do not comply with the Public Finance Management Act, 2012, County Governments Act, 2012 and the Health Act, 2017.

Basis for Adverse Opinion

1. Unbalanced Trial Balance

The trial balance presented in support of the financial statements reflects total debit and credit balances of Kshs.66,391,177 and Kshs.32,895,742 respectively resulting in an unreconciled variance of Kshs.33,495,435.

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

2. Variances in Revenue from Rendering Services

The statement of financial performance reflects Kshs.2,856,970 in respect to medical services contract gains as disclosed in Note 10 to the financial statements. Included in the amount is the National Health insurance Fund (NHIF) reimbursement of Kshs.2,584,550. However, Fund (NHIF) records revealed an amount of Kshs.969,450 was paid to the hospital resulting to an unexplained variance of Kshs.1,615,100.

In the circumstances, the accuracy and completeness of revenue from rendering services of Kshs.2,856,970 could not be confirmed.

3. Variances in Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs1,839,257 as disclosed in Note 12 to the financial statements. The amount includes Kshs.1,321,828 which relates to the National Health Insurance Fund (NHIF). However, NHIF records indicate a balance of Kshs.2,924,130 resulting to an unexplained variance of Kshs.1,602,302 the amount has been outstanding for more than twelve (12) months while the contract between the Hospital and NHIF indicates the period to pay genuine claims is within 30 days of submission.

In the circumstances, the accuracy, completeness and recoverability of the trade receivables balance from exchange transactions of Kshs.1,839,257 could not be confirmed.

4. Variances in Trade and Other Payables

The statement of financial position reflects the trade and other payables balance of Kshs.15,248,509 as disclosed in Note 16 to the financial statements. The balance includes Kshs.335,250 owed to Kenya Medical Supplies Authority (KEMSA) while (KEMSA) records reflects Kshs.428,500 resulting to a variance of Kshs.93,248.

In the circumstances, the accuracy and completeness of the trade payable balance of Kshs.15,248,509 could not be confirmed.

5. Non-Disclosure of Donated Drugs

The statement of financial performance reflects a Nil amount on grants from donors and development partners as reported in the financial statements. However, distribution data from Kenya Medical Supplies Authority (KEMSA) revealed that the Hospital received donations and program commodities drugs amounting to Kshs.10,735,094 and Universal Health Coverage amount of Kshs.495,671 which were not disclosed in the financial statement.

In the circumstances, the accuracy and completeness of grants from donors and development partners could not be confirmed.

6. Unreconciled Cash and Cash Equivalents

The statement of financial position and as disclosed in Note 11 to the financial statements reflects Kshs.368,276 in respect to cash and cash equivalents. However, the reconciled cash book reflected a balance of Kshs.350,276 resulting to a variance of Kshs.18,000 which has not been explained or reconciled.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.368,276 could not be confirmed.

7. Unsupported Inventory Balance

The statement of financial position reflects inventory balance of Kshs.567,340 as disclosed in Note 13 to the financial statements. However, the Management did not conduct stock take in respect of the Hospital's inventories at the end of the year under review. Further, there were no detailed inventory listing and ledgers.

In the circumstances, the accuracy and completeness of the inventory balance of Kshs.567,340 could not be confirmed.

8. Unsupported Non-Current Assets

The statement of financial position reflects a balance of Kshs.51,074,086 and Kshs.250,000 in respect to properties, plant and equipment and intangible assets and as disclosed in Note 14 and Note 15 to the financial statements respectively. However, Management did not provide a basis for the costs of assets disclosed. In addition, no ownership documents for the parcel of land occupied by the hospital were provided for audit review. Further, Management did not maintain a fixed asset register detailing dates

of acquisition, location, depreciation, net book values, unique identification number, disposal among other details.

In the circumstances, the accuracy and completeness of the property, plant and equipment and intangible assets balance of Kshs.51,324,086 could not be confirmed.

9. Inaccuracies in Financial Statements

The statement of cash flows reflects Kshs.368,277 as cash and cash equivalents as at 30 June, 2023 which varies with the re casted amount of Kshs.872,543. Further, the statement of financial position reflects revaluation reserve balance of Kshs.45,025,402 while the statement of changes in net assets reflects a balance Kshs.47,687,668 resulting to an unexplained variance of Kshs.2,185,166.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.368,277 and revaluation reserve balance could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Migosi Sub-County Hospital Management in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Lack of Approved Budget

The statement of comparison of budget and actual amounts reflects final budget amounts that are similar to actual on comparable basis. This casts doubt on the basis on which the budget was prepared and approved contrary to Regulation 43(2) of the Public Finance Management (County Governments) Regulations, 2015 which states that County government entities shall execute their approved budgets based on the annual

appropriation legislation, and the approved annual cash flow plan with the exception of unforeseen and unavoidable spending dealt with through the County Emergency Fund, or supplementary estimates.

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

2. Long outstanding Trade and Other payables

The statement of financial position and as disclosed in Note 16 to the financial statements reflects trade and other payables balance of Kshs.15,248,509. However, included in this figure are trade payables amounting to Kshs.13,868,579 which had been outstanding for more than three (3) years. 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.

3. Stock-outs of Essential Drugs

The statements of financial position reflect an inventory balance of Kshs.567,340 as disclosed in Note 13 to the financial statements. However, review of the Hospital pharmacy stores revealed that thirty-four (34) types of drugs were out of stock and patients were required to purchase drugs outside the hospital. In addition, sixteen (16) types of drugs whose value could not be determined, had expired as early as August 2016 and were kept in the stores.

In the circumstances, the effectiveness of the storage system of pharmaceutical items could not be confirmed.

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

Review of Hospital records and interviews on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits by eight four (84) staff requirements or 83% of the authorized establishment.

Staff Requirements	Level 4 Standard	No. in Hospital	Variance	Percentage %
Medical Officers	16	0	16	100
Anesthesiologists	2	0	2	100
General Surgeons	2	0	2	100
Gynaecologists	2	0	2	100
Pediatrics	2	0	2	100
Radiologists	2	1	1	50
Kenya Registered Community Health Nurses	75	16	59	79

Staff Requirements	Level 4 Standard	No. in Hospital	Variance	Percentage %
Total	101	17	84	83

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

Service	Level 4 Hospital Standard	Actuals in the Hospital	Variance	Percentage %
Beds	150	29	121	81
Resuscitaire (2 in labor & 1 in Theatre)	2	2	0	0
New Born Unit Incubators	5	0	5	100
New Born Unit Cots	5	0	5	100
Functional ICU Beds	6	0	6	100
High Dependency Unit (HDU) Beds	6	0	6	100
Renal Unit with at Least 5 Dialysis Machines	5	0	5	100
Two Functional Operational Theatres-Maternity & General	2	0	2	100

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.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, based on the audit procedures performed, I confirm that, internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Lack of Risk Management and Disaster Management Policies

The Hospital Management had not put in place risk management and disaster management policies contrary to Regulation 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer to ensure that the county government entity develops risk management strategies, which include fraud prevention mechanism; and the county government entity develops a system of risk management and internal control that builds robust business operations.

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

2. Failure to have Internal Audit Arrangements

During the year under review, the hospital did not have internal audit arrangements. Although management explained that the County Government offered the internal audit services, no evidence was provided to confirm internal audit review was conducted.

This was contrary to Section 155(1)(a) of the Public Finance Management Act, 2012 which states that a county government entity shall ensure that it complies with this Act and has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board. In addition, the hospital had not established an Audit Committee of the Board contrary to Section 155(5) of the Public Finance Management Act, 2012 which provides for the establishment of an Audit Committee.

In the circumstances, the Hospital did not benefit from the assurance and advisory services from the internal audit function as well as oversight from the Audit Committee.

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

Responsibilities of Management and Board of Management

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

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

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

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



FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

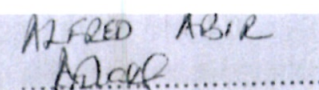
27 June, 2024

Migosi Sub County Hospital
Annual Report and Financial Statements for The Year Ended 30th June 2023

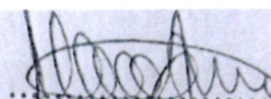
14. Statement of Financial Performance for The Year Ended 30 June 2023

Description	Note	2022/2023	2021/2022
		Kshs	Kshs
Revenue from non-exchangetransactions			
Transfers from the County Government	1	3,197,504	4,784,643
		3,197,504	4,784,643
Revenue from exchange transactions			
Rendering of services- Medical Service Income	2	2,846,112	2,350,677
Revenuefromexchangetransactions		2,846,112	2,350,677
Total revenue		6,043,616	7,135,320
Expenses			
Medical/Clinical costs	3	3,694,710	2,700,988
Employee costs	4	2,313,000	2,146,500
Board of Management Expenses	5	132,000	126,000
Depreciation and amortization expense	6	3,891,565	4,855,082
Repairs and maintenance	7	155,000	295,140
General expenses	8	2,099,322	2,557,850
Finance costs	9	6,620	14,000
Total expenses		12,292,217	12,695,560
Other gains/(losses)			
Medical services contracts Gains	10	2,856,970	2,777,920
Total other gains		2,856,970	2,777,920
Net deficit for the year		3,391,631	2,782,320


The Hospital's financial statements were approved by the Board on 28/5/23 and signed on its behalf by:

ALFRED ABIR


Chairman



Head of Finance

* 28 MAY 2023
 EVERLYNE METOSWA


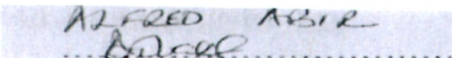
Medical Superintendent

Migosi Sub County Hospital
Annual Report and Financial Statements for The Year Ended 30th June 2023

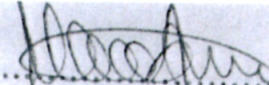
15. Statement of Financial Position As At 30th June 2023

Description	Note	2022/2023	2021/2022
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	11	368,277	579,268
Receivables from exchange transactions	12	1,839,257	2,779,246
Inventories	13	567,340	274,762
Total Current Assets		2,774,877	3,633,276
Non-current assets			
Property, plant, and equipment	14	51,074,086	54,890,651
Intangible assets	15	250,000	250,000
Total Non-current Assets		51,324,086	55,773,651
Total assets		54,098,960	58,773,927
Liabilities			
Current liabilities			
Trade and other payables	16	15,248,509	13,868,579
Total Current Liabilities		15,248,509	13,868,579
Non-current liabilities			
Total Non-current liabilities			
Total Liabilities		15,248,509	13,868,579
Net assets			
Revaluation reserve		45,024,402	47,687,668
Accumulated surplus/Deficit		(6,173,951)	(2,782,320)
Total Net Assets and Liabilities		54,098,960	58,773,927

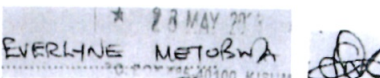
The Hospital's financial statements were approved by the Board on 28/5/23 and signed on its behalf by:


 ALFRED ABIR

Chairman
Board of Management



Head of Finance
ICPAK No:


 * 28 MAY 2023
 EVERLYNE METOBWA

Medical Superintendent

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

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2021	0.00	0.00	0.00	0.00
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	-	-	-
Capital/Development grants	-	-	-	-
As at June 30, 2022	47,687,668	(2,782,320)	0.00	44,905,348
At July 1, 2022	47,687,668	(2,782,320)	0.00	44,905,348
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	(3,391,631)	-	(3,391,631)
Capital/Development grants			0.00	0.00
At June 30, 2023	47,687,668	(6,173,951)	0.00	41,513,717

The notes set out on pages 22 to 28 form an integral part of the Annual Financial Statements.

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

Description	Note	2022/2023	2021/2022
		Kshs	Kshs
Cashflowsfromoperatingactivities			
Receipts			
Transfers from the County Government		3,197,504	4,784,643
Rendering of services- Medical Service Income		4,530,772	-
Total Receipts		7,728,276	4,784,643
Payments			
Medical/Clinical costs		2,410,368	2,166,518
Employee costs		1,807,000	643,385
Board of Management Expenses		50,000	163200
Repairs and maintenance		220,000	226,300
Grants and subsidies		1,500,000	0.00
General expenses		1,372,632	1,005,972
Total Payments		7,360,000	4,205,375
Cash flow from operating activities		368,277	579,268
Cash flows from investing activities			
Purchase of property, plant, equipment & intangible assets		75,000	-
Netcashflowsusedininvestingactivities		75,000	0.00
Cashflowsfromfinancingactivities		0.00	0.00
Netcashflowsusedinfinancingactivities		0.00	0.00
Net increase/(decrease)in cash and cash equivalents		0.00	0.00
Cash and cash equivalents as at 1 July 2022	11	579,268	579,268
Cashandcashequivalentsasat30 June 2023	11	368,277	

*Migosi Sub County Hospital**Annual Report and Financial Statements for The Year Ended 30th June 2023***18. Statement of Comparison of Budget and Actual Amounts for Year Ended 30 Jun 2023**

Description	Originalbudget	Adjustments	Finalbudget	Actualon comparable basis	Performance difference	% of utilisation
	a	B	c=(a+b)	D	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Transfers from the County Government	3,197,504	0.00	3,197,504	3,197,504	0.00	100%
Rendering of services- Medical Service Income	4,530,772	0.00	4,530,772	4,530,772	0.00	100%
Total income	7,728,276	0.00	7,728,276	7,728,276	0.00	100%
Expenses						
Medical/Clinical costs	3,694,710	0.00	3,694,710	3,694,710	0.00	100%
Employee costs	2,313,000	0.00	2,313,000	2,313,000	0.00	100%
Board of Management Expenses	132,000	0.00	132,000	132,000	0.00	100%
Repairs and maintenance	155,000	0.00	155,000	155,000	0.00	100%
Grants and subsidies	1,500,000	0.00	1,500,000	1,500,000		100%
General expenses	2,099,322	0.00	2,099,322	2,099,322	0.0	100%
Finance Cost	6,620	0.00	6,620	6,620	0.00	100%
Total Expenses	9,900,652	0.00	9,900,652	9,900,652	0.00	100%
Deficit for the period	2,172,376	0.00	2,172,376	2,172,376	0.00	100%

:

19. Notes to the Financial Statements

1. General Information

MSCH entity is established by and derives its authority and accountability from PFM Act. The entity is wholly owned by the Kisumu County Government and is domiciled in Kisumu County in Kenya. The facility principal activity is to transform the livelihood of Kisumu County through responsive and sustainability technologically driven, evidence based and client centred health system for accelerated attainment of highest standards of health

2. Statement of Compliance and Basis of Preparation

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

3. Adoption of New and Revised Standards

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

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

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

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

Standard	Effective date and impact
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires:-</p> <ol style="list-style-type: none"> i. Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: ii. Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.

iii) Early adoption of standards

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

4. **Summary of Significant Accounting Policies**

a. **Revenue recognition**

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

Transfers from other Government entities

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

ii) **Revenue from exchange transactions**

Rendering of services

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

Sale of goods

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

Interest income

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

Rental income

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

Notes to the Financial Statements (Continued)

b. Budget information

The original budget for FY 2022/2023 was approved by Board on 1/07/2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the *entity* recorded additional appropriations of on the FY 2022/2023 budget following the Board's approval. The *entity's* budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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

c. Taxes

Sales tax/ Value Added Tax

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

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

Notes to the Financial Statements (Continued)

d. Investment property

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

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a period of *one* year. 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 (**depreciation has been charged at 10% on PPE on a diminishing method**) and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Notes to the Financial Statements (Continued)

f. Leases

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

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

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

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

g. Intangible assets

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

Notes to the Financial Statements (Continued)

h. Research and development costs

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

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

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

i. Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

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

Notes to the Financial Statements (Continued)

Financial assets

Classification of financial assets

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

Subsequent measurement

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

Amortized cost

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

Notes to the Financial Statements (Continued)

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Financial liabilities

Classification

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

Notes to the Financial Statements (Continued)

j. Inventories

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

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

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

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

k. Provisions

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

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

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

Notes to the Financial Statements (Continued)

l. Social Benefits

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

m. Contingent liabilities

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

n. Contingent assets

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

o. Nature and purpose of reserves

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

p. Changes in accounting policies and estimates

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

Notes to the Financial Statements (Continued)

q. **Employee benefits**

Retirement benefit plans

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

r. **Foreign currency transactions**

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

s. **Borrowing costs**

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

t. **Related parties**

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

Notes to the Financial Statements (Continued)

u. Service concession arrangements

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

v. Cash and cash equivalents

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

w. Comparative figures

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

x. Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Useful lives and residual values

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

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

Provisions

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

Notes to Financial Statements Continued

1. Transfers from the County Government

Description	2022/2023	2021/2022
	KShs	KShs
Unconditional grants		
Operational grant	1,697,504	4,784,643
	1,697,504	4,784,643
Conditional grants		
Radiology grant	1,500,000	
Total government grants and subsidies	3,197,504	4,784,643

1b. Transfers from The County Government

Kisumu County Government	Amount recognized to of Statement of financial performance* KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	2021/2022
			KShs	KShs	KShs
Kisumu County Government	3,197,504	0.00		0.00	4,784,643
Total	3,197,504	0.00		0.00	4,784,643

2. Rendering of Services-Medical Service Income

Description	2022/2023	2021/2022
	Kshs	Kshs
Pharmaceuticals	535,316	358,860.00
Laboratory	646,140	947,360.00
Radiology	793,410	593,993.00
Records	314,425	122,370.00
Inpatient	447,551	267,765.00
Outpatient	101,770	58,529.00
Occupational Therapy	7,500	1,800.00
Total revenue from the rendering of services	2,846,112	2,350,677.00

Notes to the Financial Statements (Continued)

3. Medical/ Clinical Costs

Description	2022/2023	2021/2022
	Kshs	Kshs
Laboratory, pharmaceuticals & Non-pharm Supplies	1,536,555	2,114,358
Food and Ration	393,220	551,730
Sanitary and cleansing Materials	58,300	0.00
X-Ray/Radiology supplies	1,706,635	34,900
Total medical/ clinical costs	3,694,710	2,700,988

4. Employee Costs

Description	2022/2023	2021/2022
	Kshs	Kshs
Salaries, wages, and allowances	2,313,000	2,146,500
Employee costs	2,313,000	2,146,500

5. Board of Management Expenses

Description	2022/2023	2021/2022
	Kshs	Kshs
Sitting allowance	132,000	126,000
Total	132,000	126,000

6. Depreciation and Amortization Expense

Description	2022/2023	2021/2022
	Kshs	Kshs
Property, plant and equipment	3,891,565	4,855,082
Total depreciation and amortization	3,891,565	4,855,082

7. Repairs and Maintenance

Description	2022/2023	2021/2022
	Kshs	Kshs
Property- Buildings	155,000	295,140.00
Total repairs and maintenance	155,000	295,140.00

8. General Expenses

Description	2022/2023	2021/2022
	Kshs	Kshs
Other Fuel Charcoal and Cooking Gas	94,000	131,000.00
Contracted services	648,000	648,000.00
Electricity expenses	480,000	540,000.00
Fuel and Lubricants	62,000	61,000.00
Travel and accommodation allowance	18,000	115,000.00
Printing and stationery	361,990	570,850.00
Water and sewerage costs	339,052	432,000.00
Telephone and mobile phone services	90,000	60,000.00
Total General Expenses	2,099,322	2,557,850

9. Finance Costs

Description	2022/2023	2021/2022
	KShs	KShs
Bank charges	6,620	14,000
Total finance costs	6,620.00	14,000

10. Medical Services Contracts Gains /Losses

Description	2022/2023	2021/2022
	KShs	KShs
Comprehensive care contracts with NHIF	2,584,550.00	2,393,950.00
Marwa	262,370.00	383,970.00
OLPS Contract for Radiology Services	10,050	0.00
Total Gain/Loss	2,856,970	2,777,920.00

11. Cash and Cash Equivalents

Description	2022/2023	2021/2022
	KShs	KShs
Current accounts	368,276.80	579,267.80
Total cash and cash equivalents	368,276.80	579,267.80

11 (a) Detailed Analysis of Cash and Cash Equivalents

Description		2022/2023	2021/2022
Financial institution	Account number	KShs	KShs
a) Current account			
Cooperative Bank of Kenya	01141495253700	368,276.80	579,267.80
Grand total		368,276.80	579,267.80

12. Receivables from Exchange Transactions

Description	2022/2023	2021/2022
	KShs	KShs
Medical services receivables	1,839,257.00	2,779,246.00
Total receivables	1,839,257.00	2,779,246.00

12 (b) Analysis of Receivables from Exchange Transactions

Description	2022/2023		2021/2022	
	Kshs	% of the total	Kshs	% of the total
	2022/2023	% of the total	2021/2022	% of the total
Less than 1 year	477,994.00	29.99%	749,936.00	26.98%
Between 2-3 years	39,435.00	2.14%	383,970.00	13.82%
Over 3 years	1,321,828.00	67.87%	1,645,340.00	59.2%
Total (a+b)	1,839,257.00	100%	2,779,246.00	100%

13. Inventories

Description	2022/2023	2021/2022
	KShs	KShs
Pharmaceutical supplies	51,230	72,396.00
Laboratory supplies	125,170	58,000.00
Food supplies	78,120	24,170.00
Non-pharmaceutical supplies	98,370	60,696.00
Cleaning materials supplies	10,000	12,000
General supplies	56,000	12,000
Radiology Supplies	48,450	35,500
Total	567,340	274,762.00

*Migosi Sub County Hospital
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Notes to the Financial Statements (Continued)

14. Property, Plant and Equipment

Description	Land	Buildings and Civil works	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
Cost (based on estimates)						
At 1 July 2021	15,800,000	22,280,200	3,800,000	250,000	12,760,451	54,890,651.00
At 30 th Jun 2022	15,800,000	22,280,200	3,800,000	250,000	12,760,451	54,890,651
At 1 July 2022	15,800,000	22,280,200	3,800,000	250,000	12,760,451	51,074,086
Additions	-	-	-	-	75,000	-
At 30 th Jun 2023	15,800,000	20,052,180	3,420,000	250,000	11,551,906	51,074,086
Depreciation and impairment						
At 1 July 2021	-	2,785,025	475,000	-	1,595,057	4,855,082
Depreciation for the year	-	2,228,020	380,000	-	1,283,545	3,891,565
At 30 June 2022		2,785,025	475,000	-	1,595,057	4,855,082
At July 2022		2,785,025	475,000	-	1,595,057	4,855,082
Depreciation		2,228,020	380,000	-	1,283,545	3,891,565
At 30 th June 2023		5,013,045	855,000	-	2,878,602	8,746,647
Net book values						
At 30 th Jun 2022	15,800,000	22,280,200	3,800,000	250,000	12,760,451	54,890,651
At 30 th Jun 2023	15,800,000	20,052,180	3,420,000	250,000	11,551,906	51,074,086

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Notes to the Financial Statements (Continued)

15. Intangible Assets-Software

Description	2022/2023	2021/2022
	KShs	KShs
Cost	250,000	250,000
At beginning of the year	250,000	250,000
At end of the year	250,000	250,000
NBV	250,000	250,000

Notes to the Financial Statements (Continued)

16. Trade and other Payables

Description	2022/2023		2021/2022	
	KShs		KShs	
Trade payables	900,930		12,365,463.68	
Employee dues	479,000		1,503,115.00	
Pending bills 2021/2022	13,868,578.68			
Total trade and other payables	15,248,508.68		13,868,578.68	
Ageing analysis:	2022/2023	% of the Total	2021/2022	% of the total
Under one year	900,930	5.91%	1,503,115	11.25%
1-2 years	479,000	3.14%		%
2-3 years				%
Over 3 years	13,868,578.68	90.95%	12,365,463.68	88.75%
Total	15,248,508.68	100%	13,868,578.68	100%

6. Financial Risk Management

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

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

(i) **Credit risk**

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its

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financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has significant concentration of credit risk on amounts due. The board of management sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

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

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

Notes to the Financial Statements (Continued)

(iii) Market risk

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

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

a) Foreign currency risk

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

Foreign currency sensitivity analysis

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

b) Interest rate risk

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

Management of interest rate risk

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

Notes to the Financial Statements (Continued)

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of financial performance if current floating interest rates increase/decrease by one percentage point as a decrease/increase. A rate increase/decrease of 5% would result in a decrease/increase in surplus.

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:

7. 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.

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

- i) The National Government;
- ii) The County Government;
- iii) Board of Directors;
- iv) Key Management

8. Events after the Reporting Period

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

9. Ultimate and Holding Entity

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

10. Currency

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

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20. Appendices

Appendix 1: Progress on Follow up of Auditor Recommendations


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

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

Guidance Notes:

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

Accounting Officer

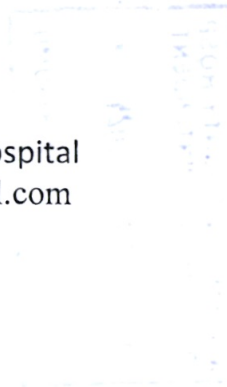
EVERLYNE MATHIAS
 23 MAY 2023

 P.O. BOX 436-40100, KISUMU

Appendix III: Inter-Entity Confirmation Letter

REPUBLIC OF KENYA

COUNTY GOVERNMENT OF KISUMU

Tel: 254-14061731
Tel: 254-12400953
Office: 254-06528268
E-mail: migosisubcountyhospital
migosihealthcentre@gmail.com



Medical superintendent,
Migosi Sub County
Hospital
P.O. Box 486 – 40100,
Kisumu.

DEPARTMENT OF MEDICAL SERVICES, PUBLIC HEALTH AND SANITATION

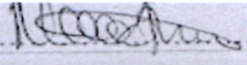
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The (insert SC/SAGA/Fund name here) wishes to confirm the amounts disbursed to you as at 30th June 2023 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

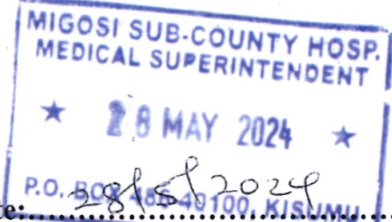
Confirmation of amounts received by (insert name of beneficiary) as at 30 th June 2023							
Reference Number	Date Disbursed	Amounts Disbursed by SC/SAGE/Fund) (KShs) as at 30th June 2023			Total (D)=(A+B+C)	Amount Received byMSCH (KShs) as at 30 th June 2023(E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	FIF (C)			
75877	13/02/2023			806,522			
24858	23/12/2022	744,547					
75825	16/07/2022			820,750			
75918	18/10/2022			656,000			
76756	26/04/2023			1,007,500			
77619	28/072023			1,178,000			
76511	28/07/2023			62,000			
27871	07/08/2023	952,957					
		1,500,000					
		<u>3,197,504</u>		<u>4,530,772</u>	<u>7,728,276</u>		

In confirm that the amounts shown above are correct as of the date indicated.

Head of Accounts Department of the beneficiary entity:

Name MILWAIGET ATIANO Sign 

Date: 28/5/2024



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