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REPORT

OF

THE AUDITOR-GENERAL

ON

KALAMA LEVEL 4 HOSPITAL

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

COUNTY GOVERNMENT OF MACHAKOS



KALAMA LEVEL 4 HOSPITAL
(COUNTY GOVERNMENT OF
MACHAKOS)

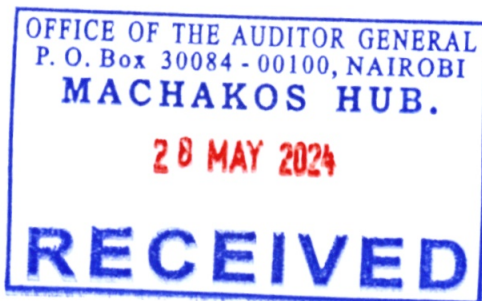


ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED

30TH JUNE 2023

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



PAPERS LAID	
DATE	18/09/24
TABLED BY	Majesty Leader
COMMITTEE	
CLERK AT THE TABLE	Heta

Table of Contents

1. Acronyms & Glossary of Terms	ii
2. Key Entity Information and Management	iii
3. The Board of Management	vi
4. Key Management Team	vii
5. Chairman's Statement	ix
6. Report of The Medical Superintendent	x
7. Statement of Performance Against Predetermined Objectives	xi
8. Corporate Governance Statement	xiii
9. Management Discussion and Analysis	xiv
10. Environmental And Sustainability Reporting	xv
11. Report of The Management	xviii
12. Statement of Management's Responsibilities	xix
13. Report of the Independent Auditor on Kalama Level 4 Hospital	xx
14. Statement of Financial Performance for The Year Ended 30 June 2023	1
15. Statement of Financial Position as at 30th June 2023	3
16. Statement of Changes in Net Asset for The Year Ended 30 June 2023	5
17. Statement of Cash Flows for The Year Ended 30 June 2023	6
18. Statement of Comparison of Budget and Actual Amounts for Year Ended 30 Jun 2023	8
19. Notes to the Financial Statements	9
20. Appendices	54

1.

Acronyms & Glossary of Terms

CSR	Corporate Social Responsibility
OSHA	Occupational Health & Safety Act
PFMA	Public Financial Management Act
MED SUP	Medical Superintendent
HMT	Hospital Management Team
NSM	Nursing Services Manager
HAO	Hospital Administrative Officer
CRF	County Revenue Fund
IPSAS	International Public Sector Accounting Standards

2. Key Entity Information and Management

(a) Background information

Kalama Level 4 Hospital is a level (4) hospital established under Gazette Notice Number No.786 dated 4th February 2020 and is domiciled in Machakos County under the Department of Health and Emergency Services. The hospital is governed by Management appointed by the department. The hospital has seen a lot of development by the County government providing more funds to improve the in-patient and out-patient services.

(b) Principal Activities

The Vision of the Hospital is to become a Centre of excellence in quality healthcare services, training & research in Machakos County and Kenya at large, while its mission is to provide accessible, responsive, quality healthcare services through innovation, training and research. The main mandate of Kalama Level 4 Hospital is to provide curative, preventive, promotive and rehabilitative health services. It offers specialized clinical services in various disciplines. It serves as a centre for research activities, training for medical students and health workers.

The Following are the key Objectives of the Hospital:

- To provide High quality healthcare services,
- To provide Super-specialized healthcare services
- To conduct clinical research
- To train different levels of health cadres
- To serve as a Centre that can be utilized by local stakeholders for development or implementation of medical intervention of health policies.
- To build and strengthen partnership and sector coordination.
- To advocate and mobilize for adequate funding to the hospital.

(c) Key Management

The hospital management is under the following key organs:

- County Department of Health and Emergency Services
- Accounting Officer/ Medical Superintendent
- Hospital Management Team (HMT)
- County Department of Finance and Economic Planning

(d) Fiduciary Management

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

No.	Designation	Name
1.	Medical Superintendent	Mr. Joel Mutuku

2.	Head of Finance	Mr. Eric Milo
3.	Hospital Administrator	Ms Eddith Mulwa
4.	Nursing Service Manager	Mr. Johan Mulinge

(e) Fiduciary Oversight Arrangements

The following committees and bodies are assigned fiduciary oversight authority for management of Kalama Level 4 Hospital;

- Clinical Research and Standards Committee.
- Audit committee
- Risk Committee
- County Assembly
- Parliamentary (Senate) committees

(f) Entity Headquarters

P.O. Box 191-90102
Kalama
Machakos-Kalama

(g) Entity Contacts

Telephone: (+254) 0788484531
E-mail: kalamalevel4@gmail.com

(h) Entity Bankers

Cooperative Bank of Kenya

(i) Independent Auditors

Auditor General
Office of Auditor General
Anniversary Towers, Institute 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

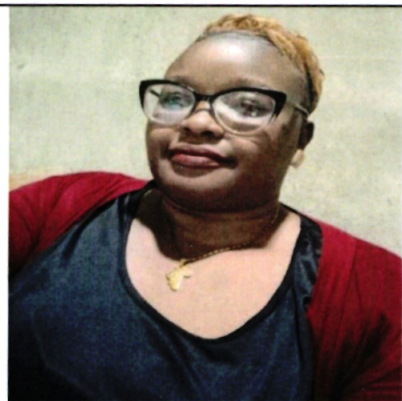
County law office
P.O. Box.1996-90100
Machakos Kenya

3. The Board of Management

There was no Board of Directors in Kalama Level (4) Hospital for FY2022/2023.

4. Key Management Team

Management	Details
 Joel Mutuku is a Clinical Officer. He holds a Diploma in Clinical Officer and Surgery from Kenya Medical Training College (K.M.T.C). He has over 13 years' work experience.	Medical Superintendent / Accounting Officer.
 Johan Mulinge holds a Diploma in Nursing from the Kenya Medical Training College (K.M.T.C). She has 4 years' work experience in Nursing.	Nursing Services Manager (NSM)
	Hospital Administrative Officer (HAO)



Eddith Mulwa holds a Bachelor's Degree in Health Systems Management and a Diploma in Human Resource Management. She has 9 years' experience in Administration.



Eric Milo a results-driven and assertive professional leader with over 12 years' experience in Accounting and Finance. He holds a Masters in Business Administration , a Bachelor's Degree in Commerce & CPA Finalist

Head of Finance.

5. Chairman's Statement

The hospital did not have a Chairman and Board of Management (BOM) during the 2022/2023 financial year.

6. Report of The Medical Superintendent

It is my pleasure to present the Kalama Level 4 Hospital Financial Statements for the year ended 30th June 2023, which are in line with the Public Finance Management (PFM) Act, 2012. The Act requires final financial statements to be prepared, published, publicized and submitted to the County Assembly, Office of the Auditor General, the National Treasury, the Controller of Budget and Commission for Revenue Allocation within a period of three months after the end of each Financial Year.

Attached are the Hospital's Statements which have been prepared in line with the requirements of the PFM Act 2012, which present a true and fair view of state of affairs of the County Government of Machakos for the year ended 30th June, 2023.

The Financial statements highlights both qualitative and quantitative user information about the performance of the hospital based on the revenue received and collected from the county and NHIF or Facility Improvement Fund versus numerous expenses incurred in line to promotion of quality health care services.

Additionally, the financial statements have also enumerated various challenges that the management and staff faced during the year. Essentially, the challenges continue to be highlighted to top management and solved on need basis.



Name: Joel Mutuku
Medical Superintendent



7. Statement of Performance Against Predetermined Objectives

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

Kalama Level 4 Hospital has Six (6) strategic objectives within the current Strategic Plan for the FY 2021- 22. These objectives have been identified through a participatory process that reviewed the health priorities of the Governor's Manifesto, the National Government's "Big Four" and more specifically on Universal Health Care, NIUPLAN, SDGs and the MTP III. The strategic objectives are a synthesised product of the afore-mentioned planning frameworks that amalgamate the thematic focus and health sector aspirations.

The strategic objectives are as follows;

- Free maternal health services
- Affordable health care services
- Strategic partnership with Donors for adequate funding
- Clinical services and products
- Healthcare financing and sustainability
- Quality improvement

Kalama Level 4 Hospital develops its annual work plans based on the above six objectives. Assessment of the management'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 own strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Maternal health care services	•To Provide free maternal health care services	•Number of maternal deliveries	•Surgeries, pre-natal and post natal services •Normal deliveries	•Managed to achieve 99% free maternal health care services
Affordable and timely health care services	•To Ensure timely provision of health care services to all patients	•Number of in-patients and out-patients served	•Treatment of in-patient and out-patient	•Managed to improve timely health care provision from

				65% to 75%
Clinical services and products	• To Establish and enhance good clinical governance	• No of stock-out tracer drugs • No of prescription reviewed • Updated SOPs • No of Pharma covigilance conducted	• Rational use of Medications • Rational use of blood and blood products • Provision of Health products	• Hospital Drug formulary in place. • %reduction in morbidity and mortality.
Healthcare financing and sustainability	•To increase revenue Generation	•Revenue Reports •%increase in revenue	•Diversify Revenue Streams •Review User Fee Charges •Increase Customer Base	•Revenue improved compared to previous year •Review of user fees continuous and on progress
Strategic partnership	Conduct sensitization and research in order to attract donors	Number of donors offering financial support	Collaboration with donors	Managed to partner with Red-Cross
Quality improvement	•Enhance Continuous Quality Improvement • Enhance customer care services	•Training Reports • Customer care desks	•Training of staff • Customer care desks Minutes of the change Agents	•More than 50 Staff trained and its continuous •Monthly meeting for change Agents Achieved.

8. Corporate Governance Statement

The Hospital Management is responsible for the corporate governance of the Hospital and is accountable to Ministry of Health, County Department of Health Machakos County for ensuring that the Hospital complies with the laws and the highest standards of corporate governance and business ethics. The members attach great importance to the need to conduct the business and operations of the Hospital with integrity and in accordance with generally accepted corporate practice and endorse the internationally developed principles of good corporate governance. This is done by the management because there is no Board of Management

9. Management Discussion and Analysis

The main operational performance of Kalama Level 4 Hospital involves provision of health care services. However, while offering the services, the hospital collects some revenue from patients either in Mpesa-paybill or NHIF. The funds are transferred to County Revenue Fund (CRF) as per Public Financial Management (PFM) regulations 2015. Currently, the operations of the facility are managed by transfers from the County Government. The monies are used to improve the facility and provide both curative and preventive care services to Kalama residents. The main challenges faced include; delay in disbursement of funds from the County Treasury, large patients work load visa-vis available workforce, frequent breakdown of the equipment, cost of repairs and high cost of electricity bills.

Kalama Level 4 Hospital is governed by all medical regulatory frameworks, the constitution of Kenya 2010 and other statutory policies put in place either by the national or county government. To that extent, non –major non-compliance that may lead to contingent liabilities has been reported. The hospital has no pending court cases unless those of patients such as rape cases and which the facility must support upon request from law-enforcement agencies. However, the facility has pending account payables that should be settled from various suppliers.

The hospital is planning to implement the following projects,

- Overhauling the plumbing system of the hospital
- Renovating and painting the whole hospital
- Planting trees around the hospital and open spaces
- Repair of existing incinerator
- Automation of the hospital services
- Install solar power lighting system.
- Construction of a fence

The major risks facing Kalama level 4 Hospital and which the top management should address immediately for smooth operations and quality health care services include;

- Operational costs emanating from faulty and out-dated medical equipment.
- Market risks resulting from competition from private sector offering quality health care services
- Credit risk emanating from long outstanding pending bills
- Delayed Cashflow from County Treasury
- Over stretched work force in some sections within the facility.

All staff statutory deductions such as PAYE, NSSF and NHIF are remitted by the County Government. However, the facility has long outstanding pending bills which should be paid. Currently, the entity's is financially probity and as no serious governance issues which should be addressed.



Name: Mr Joel Mutuku
Medical Superintendent



10. Environmental And Sustainability Reporting

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

i) Sustainability strategy and profile

Kalama Level 4 Hospital 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 Kalama Level 4 Hospital 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, which include:

- Introduction of new specialized services such as heart surgery services, renal transplant, neurosurgical services, oncology services etc.
- Public Private Partnership Draft
- Upgrading the hospital to referral and get more funding
- 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

Kalama Level 4 Hospital is using the National Health Care Waste Management policy guideline which is guiding us in the management of the waste that we generate in the organization and we have a copy of the policy.

Successes

- We are having colour-coded bins [receptacles] at all generation points in the departments.
- There are segregation posters alongside the receptacles to guide in the segregation of waste.
- We have waste treatment equipment within the organization that helps us treat our waste and we only dispose off non-contaminated waste to the dumping site.
- The general cleanliness of the organization is well maintained both indoors and grounds.

Challenges

- Frequent breakdown of the equipment and the cost of repair.

- High cost electricity bill.
- 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.

iii) 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's 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

iv) Market place practices-

a) Responsible competition practice.

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

b) Responsible Supply chain and supplier relations

Ensures best involvement of suppliers in the tendering process and feedback given to suppliers in good time.

c) Responsible marketing and advertisement

Effectively done through the use of website and daily newspapers, corporate social responsibility/community engagement

d) Product stewardship

Ensure quality product or service provision guided by ethic and timeliness

v) Corporate Social Responsibility / Community Engagements

Support to adolescent leaving with HIV/Aids being trained on photography supported by partner program to ensure self-reliance. Cancer patients supported by various community based groups through department of Health-Machakos to develop conical gardens in their homes which enhances nutritional sustainability. Organization of free medical camps Based on assessment; patients have reduced medical cost including waivers given by the hospital.

11.

Report of The Management

The Management 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 in both Kalama Sub- County and other local regions.

Results

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

Board of Management

There was no Board of Management (BOM) during FY 2022-2023

Auditors

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



Name: Mr Joel Mutuku
Medical Superintendent



12. Statement of Management's Responsibilities

Section 164 of the Public Finance Management Act, 2012 require the Management to prepare annual financial statements in respect of Kalama Level 4 Hospital, which give a true and fair view of the state of affairs of the hospital at the end of the period and the operating results of the entity for that period. The Management is also required to ensure that the Kalama Level 4 Hospital keeps proper accounting records which disclose with reasonable accuracy the financial position of the entity. The Management is also responsible for safeguarding the assets of the entity.

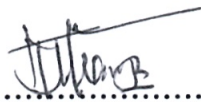
The Management is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the period ended June 30, 2023. This responsibility includes: (i) maintaining adequate financial management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

The Management accepts responsibility for the entity's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Management is of the opinion that the entity's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2023, and of the entity's financial position as at that date. The Management further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

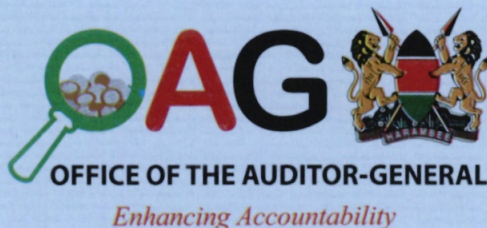
The Hospital's financial statements were approved by the Management on 25.05.2024 and signed on its behalf by:


.....
Name: Mr Joel Mutuku
Accounting Officer



REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON KALAMA LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2023 - COUNTY GOVERNMENT OF MACHAKOS

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has 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 Kalama Level 4 Hospital - County Government of Machakos set out on pages 23 to 77, which comprise of the statement of financial position as at 30 June, 2023, and the statement of financial

Report of the Auditor-General on Kalama level 4 Hospital for the year ended 30 June, 2023 - County Government of Machakos

performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget 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 the Kalama Level 4 Hospital - County Government of Machakos 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. Unconfirmed Comparative Balances and Amounts

The statement of financial statements reflect comparative balances for the financial year 2021-2022. However, management has not submitted the financial statements for financial year 2021-2022 for audit.

In circumstances, the validity of the comparative balances in the financial statements could not be confirmed.

2. Unconfirmed Inventories Balance

The statements of financial position reflect inventories balance of Kshs.2,162,183 as disclosed in Note 30 to the financial statements. However, there was no evidence of the annual stock take having been conducted to confirm the inventories valuation as at 30 June, 2023.

In the circumstances, the accuracy and fair value of the inventories balance of Kshs.2,162,183 as at 30 June, 2023 could not be confirmed.

3. Non-Disclosure of Property, Plant and Equipment

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

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

Staff Requirements	Level 4 standard	Number in Hospital	Variance	Percentage %
Medical Officers	16	0	16	100
Anesthesiologists	2	0	2	100
General Surgeons	2	0	2	100
Gynecologists	2	0	2	100
Pediatrics	2	0	2	100
Radiologists	2	0	2	100
Kenya Registered Community Health Nurses	75	2	73	97
Total	101	2	99	98

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	0	150	100
Resuscitative (2 in Labor & 1 in Theatre)	2	0	2	100
New Born Unit Incubators	5	0	5	100
New Born Unit Cots	5	0	5	100
Functional ICU Beds	6	0		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.

4. Irregular Engagement of Casual Workers

The statement of financial performance reflects casuals and contractual staff amount of Kshs.219,000 as disclosed in Note 16 to the financial statements. It was noted that Management engaged casual workers for more than three months. This was contrary to the County Public Service Human Resource Manual, May, 2013 Section B.16(1) which states that Casual workers shall be engaged only on urgent short-term tasks with the approval of the County Public Service Board and they shall not be engaged for more

than three months, as stipulated in the Employment Act, (2007).

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

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 Adverse Opinion and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that, internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Lack of Risk Management Policy

During the year under review, the Hospital did not have in place a risk management policy. This was contrary to Regulation 158(1)(a)-(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, the ability of Management to identify threats or risks and various strategies of minimizing their impact may be compromised.

2. Poor Management of Pharmaceutical Supplies (Drugs)

Review of provided stores records revealed that during the year under review, the Hospital received medical supplies worth Kshs.1,927,513 relating to pharmaceutical and non-pharmaceuticals Items. However, audit revealed that the stock cards used to issue the drugs to various departments in the hospitals did not indicate batch numbers and expiry dates of the drugs. It was not possible to establish whether the issuance of drugs followed the principle of first expiry first out.

In the circumstances, the effectiveness of internal controls on stores management for pharmaceutical supplies could not be confirmed.

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

Responsibilities of Management and the Board of Management

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and 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 noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to continue 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 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

11 June, 2024

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

Description	Note	2022/23	2021/22
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	6	1,199,820	1,000,000
In- kind contributions from the County Government	7	1,927,513	-
Grants from donors and development partners	8	-	-
Transfers from other Government entities	9	-	-
Public contributions and donations	10	-	
		3,127,333	1,000,000
Revenue from exchange transactions			
Rendering of services- Medical Service Income	11	307,170	261,900
Revenue from rent of facilities	12	-	-
Finance /Interest Income	13	-	-
Miscellaneous Income	14	-	135,068
Revenue from exchange transactions		307,170	396,968
Total revenue		3,434,503	1,396,968
Expenses			
Medical/Clinical costs	15	608,850	264,039
Employee costs	16	219,000	113,000
Board of Management Expenses	17	-	-
Depreciation and amortization expense	18	-	-
Repairs and maintenance	19	90,770	386,797
Grants and subsidies	20	-	-
General expenses	21	458,265	428,774
Finance costs	22		
		1,376,885	1,192,610
Total expenses			
Other gains/(losses)			

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

Gain/Loss on disposal of non-Current assets	23	-	-
Unrealized gain on fair value of investments	24	-	-
Medical services contracts Gains/Losses	25	-	-
Impairment loss	26	-	-
Gain on foreign exchange transactions		-	-
Total other gains/(losses)		-	-
Net Surplus / (Deficit) for the year		2,057,618	204,358

(The notes set out on pages 28 to 72 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Management on 25.5.24
and signed on its behalf by:



Head of Finance



Medical Superintendent



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

Description	Note	2022/23	2021/22
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	27	149,793	369,565
Receivables from exchange transactions	28	-	-
Receivables from non-exchange transactions	29	-	-
Inventories	30	2,162,183	-
Total Current Assets		2,311,976	369,565
Non-current assets			-
Property, plant, and equipment	31	-	-
Intangible assets	32	-	-
Investment property	33	-	-
Total Non-current Assets		-	-
Total assets		2,311,976	369,565
Liabilities			
Current liabilities			
Trade and other payables	34	50,000	165,207
Refundable deposits from customers/Patients	35	-	-
Provisions	36	-	-
Finance lease obligation	37	-	-
Current portion of deferred income	38	-	-
Current portion of borrowings	39	-	-
Social Benefits	41	-	-
Total Current Liabilities		50,000	165,207
Non-current liabilities			
Provisions	36	-	-
Non-Current Finance lease obligation	37	-	-
Non-Current portion of deferred income	38	-	-
Non - Current portion of borrowings	39	-	-
Service concession liability	40	-	-
Social Benefits	41	-	-
Total Non-current liabilities		-	-

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

Total Liabilities		50,000	165,207
Net assets			
Revaluation reserve		-	-
Accumulated surplus/Deficit		2,261,976	204,358
Capital Fund		-	-
		2,261,976	-
Total Net Assets and Liabilities		2,311,976	369,565

(The notes set out on pages 28 to 72 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Management on 25.5.24
and signed on its behalf by:


.....

Head of Finance


.....

Medical Superintendent



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

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

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2022	-	204,358	-	204,358
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	-	-	-
Capital/Development grants	-	-	-	-
As at June 30, 2022	-	204,358	-	204,358
At July 1, 2022	-	204,358	-	204,358
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	2,057,618	-	2,057,618
Capital/Development grants	-	-	-	-
At June 30, 2023	-	2,261,976	-	2,261,976

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

Description	Note	2022/23	2021/22
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government	6	1,199,820	1,000,000
Grants from donors and development partners	7	-	-
Transfers from other Government entities	8	-	-
Public contributions and donations	9	-	-
Rendering of services- Medical Service Income	11	307,170	261,900
Revenue from rent of facilities	12	-	-
Finance / interest income	13	-	-
Miscellaneous receipts(<i>specify</i>)	14		135,068
Total Receipts		1,506,990	1,396,968
Payments		-	
Medical/Clinical costs	15	608,850	264,039
Employee costs	16	219,000	113,000
Board of Management Expenses	17	-	-
Repairs and maintenance	19	90,770	386,797
Grants and subsidies	20	-	-
General expenses	21	458,265	428,774
Finance costs			-
Refunds paid out		-	
Total Payments		1,376,885	1,192,610
Net cash flows from operating activities		130,105	204,358
Cash flows from investing activities		-	
Purchase of property, plant, equipment & intangible assets		-	-
Proceeds from the sale of property, plant, and equipment		-	-
Purchase of medical equipment		(369,877)	-
Net cash flows used in investing activities		-	-
Cash flows from financing activities		(-)	

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

Proceeds from borrowings		(-)	-
Repayment of borrowings			-
Capital grants received		-	-
Net cash flows used in financing activities		(-)	-
Net increase/(decrease) in cash and cash equivalents		(219,772)	204,358
Cash and cash equivalents as at 1 July	27	369,565	165,207
Cash and cash equivalents as at 30 June	27	149,793	369,565

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	A	b	c=(a+b)	d	e=(c-d)	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Transfers from the County Government	1,199,820		1,199,820	1,199,820	-	100%
In Kind Contributions	1,927,513		1,927,513	1,927,513	-	100%
Transfers from other Government entities	-	-	-	-	-	%
Public contributions and donations	-	-	-	-	-	%
Rendering of services- Medical Service Income	307,170		307,170	307,170	-	100%
Revenue from rent of facilities	-	-	-	-	-	%
Finance / interest income	-	-	-	-	-	%
Miscellaneous receipts (specify)						%
Total income	3,434,503		3,434,503	3,434,503	-	%
Expenses						
Medical/Clinical costs	608,850	-	608,850	608,850	-	100%
Employee costs	219,000	-	219,000	219,000	-	100%
Remuneration of directors	-	-	-	-	-	%
Repairs and maintenance	90,770	-	90,770	90,770	-	100%
Grants and subsidies	-	-	-	-	-	%
General expenses	458,265	-	458,265	458,265	-	100%
Finance costs		-	-	-	-	%
Refunds		-	-	-	-	%
Total	1,376,885		1,376,885	1,376,885		
Surplus for the period				2,057,618	-	61.2 %
Capital expenditure		-		-	-	%

19. Notes to the Financial Statements

1. General Information

Kalama Level 4 Hospital is established by and derives its authority and accountability from Gazette Notice Number No.786 dated 4th February 2020. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is rendering medical services to the public.

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 9. 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
IPSAS 41: Financial Instruments	Applicable: 1st January 2023 The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • Applying a single classification and measurement model for financial assets that considers the characteristics of the 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.
IPSAS 42: Social Benefits	Applicable: 1st January 2023 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:

	(a) The nature of such social benefits provided by the Entity. (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	Applicable: 1st January 2023 a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. 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.
Other improvements to IPSAS	Applicable 1st January 2023 • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008). • <i>IPSAS 39: Employee Benefits</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • <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.

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

iii) Early adoption of standards

The Entity did not adopt any new or amended standards in the financial year.

4. Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

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

ii) Revenue from exchange transactions

Rendering of services

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

Sale of goods

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

Interest income

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

Rental income

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

Notes to the Financial Statements (Continued)

b. Budget information

The original budget for FY 2022-2023 was approved by County Assembly on **30th June 2022**. 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 **Zero (0)** on the FY 2022-23 budget following the County Assembly's approval. The *entity's* budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page 1 under section 2 of these financial statements.

c. Taxes

Sales tax/ Value Added Tax

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

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

taxation authority is included as part of receivables or payables in the statement of financial position.

Notes to the Financial Statements (Continued)

d. Investment property

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

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a period of **10** years. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

e. Property, plant and equipment

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

Notes to the Financial Statements (Continued)

f. Leases

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

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

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

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

g. Intangible assets

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

Notes to the Financial Statements (Continued)

h. Research and development costs

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

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

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

i. Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on its financial statements.

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

Notes to the Financial Statements (Continued)

Financial assets

Classification of financial assets

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

Subsequent measurement

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

Amortized cost

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

Notes to the Financial Statements (Continued)

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Financial liabilities

Classification

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

Notes to the Financial Statements (Continued)

j. Inventories

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

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

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

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

k. Provisions

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

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

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

Notes to the Financial Statements (Continued)

l. Social Benefits

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

m. Contingent liabilities

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

n. Contingent assets

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

o. Nature and purpose of reserves

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

p. Changes in accounting policies and estimates

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

Notes to the Financial Statements (Continued)

q. Employee benefits

Retirement benefit plans

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

r. Foreign currency transactions

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

s. Borrowing costs

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

t. Related parties

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

Notes to the Financial Statements (Continued)

u. Service concession arrangements

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

v. Cash and cash equivalents

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

settle the obligation at the reporting date and are discounted to present value where the effect is material.

Notes to Financial Statements Continued

6. Transfers from the County Government

Description	2022/2023	2021/2022
	KShs	KShs
Unconditional grants		
Operational grant	1,199,8200	1,000,000
Level 5 grants	-	-
Unconditional development grants	-	-
Other grants	-	-
	1,199,8200	1,000,000
Conditional grants		
User fee forgone	-	-
Transforming health services for Universal care project (THUCP)	-	-
DANIDA	-	-
Wards Development grant	-	-
Paediatric block grant	-	-
Administration block grant	-	-
Laboratory grant	-	-
Total government grants and subsidies	1,199,820	1,000,000

6 b Transfers from the County Government

Name of the Entity sending the grant	Amount recognized to of financial performance* KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	Comparative Period
			KShs	KShs	KShs
Machakos County Government	1,199,820	-	-	-	1,000,000
Total	1,199,820	-	-	-	1,000,000

Notes to Financial Statements Continued

7. In Kind Contributions from The County Government

Description	2022/2023	2021/2022
	KShs	KShs
Salaries and wages	-	-
Medical supplies-Drawings Rights (KEMSA)	-	-
Pharmaceuticals and Non-Pharmaceutical Supplies (other suppliers)	1,927,513	-
Utility bills	-	-
Total grants in kind	1,927,513	-

8. Grants From Donors and Development Partners

Description	2022/2023	2021/2022
	KShs	KShs
Cancer Centre grant- DANIDA	-	-
World Bank grants	-	-
Paediatric ward grant- JICA	-	-
Research grants	-	-
Other grants (<i>specify</i>)	-	-
Total grants from development partners	-	-

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

Name of the Entity sending the grant	Amount recognized to Statement of financial performance	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	Comparative Period
	KShs	KShs	KShs	KShs	KShs
Donor e.g., DANIDA	-	-	-	-	-
JICA	-	-	-	-	-
World Bank	-	-	-	-	-
Total	-	-	-	-	-

Notes to Financial Statements Continued

9. Transfers From Other Government Entities

Description	2022/2023	2021/2022
	KShs	KShs
Transfer from National Government (Ministry of Health)	-	-
Transfer from National Hospital	-	-
Transfer from Institute	-	-
Total Transfers	-	-

10. Public Contributions and Donations

Description	2022/2023	2021/2022
	3	
	KShs	KShs
Public donations	-	-
Donations from local leadership	-	-
Donations from religious institutions	-	-
Donations from other international organisations and individuals	-	-
Other donations(<i>specify</i>)	-	-
Donations in kind-amortised	-	-
Total donations and sponsorships	-	-

10 (a) Reconciliations of amortised grants

Description	2022/2023	2021/2022
	Kshs	Kshs
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Amortised and transferred to revenue	-	-
Conditions to be met – remain liabilities	-	-

Notes to Financial Statements Continued

11. Rendering of Services-Medical Service Income

Description	2022/2023	2021/2022
	Kshs	Kshs
Pharmaceuticals	-	-
Non-Pharmaceuticals	232,550	-
Laboratory	74,620	-
Radiology	-	-
Orthopedic and Trauma Technology	-	-
Theatre	-	-
Accident and Emergency Service	-	-
Anesthesia Service	-	-
Ear Nose and Throat service	-	-
Nutrition service	-	-
Cancer centre service	-	-
Dental services	-	-
Reproductive health	-	-
Paediatrics services	-	-
Farewell home services	-	-
Other medical services income (<i>specify</i>)		261,900
Revenue from the rendering of services	307,170	261,900

**The other medical services income relate to Facility Improvement Fund (FIF)*

Notes to the Financial Statements (Continued)

12. Revenue From Rent of Facilities

Description	2022/23	2021/22
	Kshs	Kshs
Residential property	-	-
Commercial property	-	-
Total Revenue from rent of facilities	-	-

13. Finance /Interest Income

Description	2022/23	2021/22
	Kshs	Kshs
Cash investments and fixed deposits	-	-
Interest income from short- term/ current deposits	-	-
Interest income from Treasury Bills	-	-
Interest income from Treasury Bonds	-	-
Interest from outstanding debtors	-	-
Total finance income	-	-

14. Miscellaneous Income

Description	2022/23	2021/22
	KShs	KShs
Insurance recoveries	-	135,068
Income from sale of tender	-	-
Services concession income	-	-
Sale of goods (water, publications, containers etc)	-	-
Write backs (Deposits, payments in advance etc)	-	-
Bad debts recovered	-	-
<i>Others (b/f)</i>		-
Total Miscellaneous income	-	135,068

Notes to the Financial Statements (Continued)

15. Medical/ Clinical Costs

Description	2022/23	2021/2022
	Kshs	Kshs
Dental costs/ materials		-
Laboratory chemicals and reagents	80,000	-
Public health activities	-	-
Food and Ration	170,795	12,725
Uniform, clothing, and linen	-	-
Dressing and Non-Pharmaceuticals	184,608	123,509
Pharmaceutical supplies	55,800	-
Health information stationery	-	-
Reproductive health materials	-	-
Sanitary and cleansing Materials	36,000	97,403
Purchase of Medical gases	-	-
X-Ray/Radiology supplies	-	-
Other medical related clinical costs (<i>specify</i>)	81,647	30,402
Total medical/ clinical costs	608,850	264,039

16. Employee Costs

Description	2022/2023	2021/2022
	Kshs	Kshs
Salaries, wages, and allowances	219,000	113,000
Contributions to pension schemes	-	-
Service gratuity	-	-
Performance and other bonuses	-	-
Staff medical expenses and Insurance cover	-	-
Group personal accident insurance and WIBA	-	-
Social contribution	-	-
Other employee costs (<i>specify</i>)	-	-
Employee costs	219,000	113,000

Notes to the Financial Statements (Continued)

17. Board of Management Expenses

Description	2022/2023	2021/2022
	Kshs	Kshs
Chairman's Honoraria	-	-
Sitting allowance	-	-
Mileage	-	-
Insurance expenses	-	-
Induction and training	-	-
Travel and accommodation allowance	-	-
Airtime allowances	-	-
Total	-	-

18. Depreciation and Amortization Expense

Description	2022/2023	2021/2022
	Kshs	Kshs
Property, plant and equipment	-	-
Intangible assets	-	-
Investment property carried at cost	-	-
Total depreciation and amortization	-	-

19. Repairs And Maintenance

Description	2022/2023	2021/2022
	Kshs	Kshs
Property- Buildings	30,770	275,520
Medical equipment		
Office equipment	-	50,137
Furniture and fittings	20,000	
Computers and accessories	20,000	20,000
Motor vehicle expenses	20,000	41,140
Maintenance of civil works	-	-
Total repairs and maintenance	90,770	386,797

Notes to the Financial Statements (Continued)

20. Grants And Subsidies

Description	2022/2023	2021/2022
	Kshs	Kshs
Community development and social work	-	-
Education initiatives and programs	-	-
Free/ subsidised medical camp	-	-
Disability programs	-	-
Free cancer screening	-	-
Social benefit expenses	-	-
Other grants and subsidies(<i>specify</i>)	-	-
Total grants and subsidies	-	-

21. General Expenses

Description	2022/2023	2021/2022
	Kshs	Kshs
Advertising and publicity expenses	20,000	61,900
Catering expenses	105,000	7,430
Waste management expenses	-	
Insecticides and rodenticides	-	
Audit fees	-	
Bank charges		2,040
Conferences and delegations	2,465	
Consultancy fees	-	
Contracted services	-	
Electricity expenses		146,018
Fuel and Lubricants	213,800	
Insurance	-	
Research and development expenses	-	90,000
Travel and accommodation allowance	30,000	
Legal expenses	-	
Licenses and permits	-	
Courier and postal services	-	38,581
Printing and stationery	20,000	
Office generals	-	
Rent expenses	-	27,350
Water and sewerage costs	12,000	
Skills development levies	-	55,455
Telephone and mobile phone services	55,000	
Internet expenses	-	-

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

Staff training and development	-	-
Subscriptions to professional bodies	-	-
Subscriptions to newspapers periodical, magazines, and gazette notices	-	-
Library books/Materials	-	-
Office Generals	-	-
Total General Expenses	458,265	428,774

22. Finance Costs

Description	2022/2023	2021/2022
	KShs	KShs
Borrowings (amortized cost) *	-	-
Finance leases (amortized cost)	-	-
Interest on Bank overdrafts/Guarantees	-	-
Interest on loans from commercial banks	-	-
Total finance costs	-	-

23. Gain/Loss on Disposal of Non-Current Assets

Description	2022/2023	2021/2022
	KShs	KShs
Property, plant, and equipment	-	-
Intangible assets	-	-
Other assets not capitalised (<i>specify</i>)	-	-
Total gain on sale of assets	-	-

24. Unrealized Gain On Fair Value Investments

Description	2022/2023	2021/2022
	KShs	KShs
Investments at fair value	-	-
Total gain	-	-

Notes to the Financial Statements (Continued)

25. Medical Services Contracts Gains /Losses

Description	2022/2023	2021/2022
	KShs	KShs
Comprehensive care contracts with NHIF	-	-
Non- Comprehensive contracts care with NHIF	-	-
Linda Mama Program	-	-
Waivers and Exemptions	-	-
Total Gain/Loss	-	-

26. Impairment Loss

Description	2022/2023	2021/2022
	KShs	KShs
Property, plant, and equipment	-	-
Intangible assets	-	-
Total impairment loss	-	-

27. Cash And Cash Equivalents

Description	2022/2023	2021/2022
	KShs	KShs
Current accounts	149,793	369,565
On - call deposits	-	-
Fixed deposits accounts	-	-
Cash in hand	-	-
Others(<i>specify</i>)- Mobile money	-	-
Total cash and cash equivalents	149,793	369,565

Notes to the Financial Statements (Continued)

27 (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	01141033257201	149,793	369,565
		-	-
Sub- total		149,793	369,565
b) On - call deposits			
Kenya Commercial bank		-	-
Equity Bank – etc		-	-
Sub- total		-	-
c) Fixed deposits account			
Bank Name		-	-
Sub- total		-	-
d) Others(specify)		-	-
cash in hand		-	-
Mobile money- Mpesa, Airtel money		-	-
Sub- total		-	-
Grand total		149,793	369,565

28. Receivables From Exchange Transactions

Description	2022/2023	2021/2022
	KShs	KShs
Medical services receivables	-	-
Rent receivables	-	-
Other exchange debtors	-	-
Less: impairment allowance	-	-
Total receivables	-	-

Analysis of Receivables from Exchange Transactions

Description	2022/2023	2021/2022
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Kalama Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	-	%	-	%
Between 1- 2 years	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (a+b)	-	%	-	%

29. Receivables From Non-Exchange Transactions

Description	2022/2023	2021/2022
	KShs	KShs
Transfers from the County Government	-	-
Undisbursed donor funds	-	-
Other debtors (<i>non-exchange transactions</i>)	-	-
Less: impairment allowance	-	-
Total	-	-

Analysis of Receivables from Non-Exchange Transactions

Description	2022/2023		2021/2022	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	-	%	-	%
Between 1- 2 years	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (a+b)	-	%	-	%

30. Inventories

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

Description	2022/2023	2021/2022
	KShs	KShs
Pharmaceutical supplies	1,465,000	-
Maintenance supplies	456,300	-
Food supplies	-	-
Linen and clothing supplies	-	-
Cleaning materials supplies	-	-
General supplies	240,883	-
Less: provision for impairment of stocks	-	-
Total	2,162,183	-

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

Notes to the Financial Statements (Continued)

31. Property, Plant and Equipment

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
Cost								
At 1 July 2022	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-
At 30th Jun 2022	-	-	-	-	-	-	-	-
At 1 July 2022	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-
At 30th Jun 2023	-	-	-	-	-	-	-	-
Depreciation and impairment	-	-	-	-	-	-	-	-
At 1 July 2022	-	-	-	-	-	-	-	-
Depreciation for the year	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
At 30 June 2023	-	-	-	-	-	-	-	-
At July 2022		-	-	-	-	-	-	-

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

Depreciation		-	-	-	-	-	-	-
Disposals		-	-	-	-	-	-	-
Impairment		-	-	-	-	-	-	-
Transfer/adjustment		-	-	-	-	-	-	-
At 30th June 2023		-	-	-	-	-	-	-
Net book values								
At 30 th Jun 2022	-	-	-	-	-	-	-	-
At 30 th Jun 2023	-	-	-	-	-	-	-	-

Notes to the Financial Statements (Continued)

32. Intangible Assets-Software

Description	2022/2023	2021/2022
	KShs	KShs
Cost		
At beginning of the year	-	-
Additions	-	-
Additions-Internal development	-	-
Disposal	-	-
At end of the year	-	-
Amortization and impairment		
At beginning of the year	-	-
Amortization for the period	-	-
Impairment loss	-	-
At end of the year	-	-
NBV	-	-

33. Investment Property

Description	2022/2023	2021/2022
	KShs	KShs
At beginning of the year	-	-
Additions	-	-
Disposals during the year	-	-
Fair value gain	-	-
Depreciation (<i>where investment property is at cost</i>)	-	-
Impairment	-	-
At end of the year	-	-

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

Notes to the Financial Statements (Continued)

34. Trade and other Payables

Description	2022/2023		2021/2022	
	KShs		KShs	
Trade payables	50,000		165,207	
Employee dues	-		-	
Third-party payments (e.g. unremitted payroll deductions)	-		-	
Audit fee	-		-	
Doctors' fee	-		-	
Total trade and other payables	50,000		165,207	
Ageing analysis:	Current FY	% of the Total	Comparative FY	% of the total
Under one year	50,000	100%	165,207	100%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total	50,000	100%	165,207	100%

35. Refundable Deposits from Customers/Patients

Description	2022/2023		2021/2022	
	KShs		KShs	
Medical fees paid in advance	-		-	
Credit facility deposit	-		-	
Rent deposits	-		-	
Others (specify)	-		-	
Total deposits	-		-	
Ageing analysis:	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total	-	%	-	%

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

Notes to the Financial Statements (Continued)

36. Provisions

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

37. Finance Lease Obligation

Description	2022/2023	2021/2022
	Kshs	Kshs
Current Lease obligation	-	-
Long term lease obligation	-	-
Total	-	-

38. Deferred Income

Description	2022/2023	2021/2022
	KShs	KShs
Current Portion	-	-
Non-Current Portion	-	-
Total	-	-

Notes to the Financial Statements (Continued)

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

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

39. Borrowings

Description	2022/2023	2021/2022
	KShs	KShs
Balance at beginning of the period	-	-
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the year	-	-
Repayments of domestic borrowings during the year	-	-
Balance at end of the period	-	-

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

Description	2022/2023	2021/2022
	KShs	KShs
Current Obligation	-	-
Non-Current Obligation	-	-
Total	-	-

Notes to the Financial Statements (Continued)

40. Service Concession Arrangements

Description	2022/2023	2021/2022
	KShs	KShs
Fair value of service concession assets recognized under PPE	-	-
Accumulated depreciation to date	-	-
Net carrying amount	-	-
Service concession liability at beginning of the year	-	-
Service concession revenue recognized	-	-
Service concession liability at end of the year	-	-

41. Social Benefit Liabilities

Description	2022/2023	2021/2022
	Kshs	Kshs
Health social benefit scheme	-	-
Unemployment social benefit scheme	-	-
Orphaned and vulnerable benefit scheme	-	-
People Living with Disabilities benefit Scheme	-	-
Elderly social benefit scheme	-	-
Bursary social benefits	-	-
Total	-	-
	-	-
Current social benefits	-	-
Non- current social benefits	-	-
Total (tie to totals above)	-	-

Notes to the Financial Statements (Continued)

42. Cash Generated from Operations

Surplus for the year before tax	2022/2023	2021/2022
	KShs	KShs
Adjusted for:		
Depreciation	-	-
Non-cash grants received	-	-
Impairment	-	-
Gains and losses on disposal of assets	-	-
Contribution to provisions	-	-
Contribution to impairment allowance	-	-
Working Capital adjustments		
Increase in inventory	-	-
Increase in receivables	-	-
Increase in deferred income	-	-
Increase in payables	-	-
Increase in payments received in advance	-	-
Net cash flow from operating activities	-	-

Notes to the Financial Statements (Continued)

43. Financial Risk Management

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

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

(i) Credit risk

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2022				
Receivables from exchange transactions	-	-	-	-
Receivables from –non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-
At 30 June 2023	-	-	-	-
Receivables from exchange transactions	-	-	-	-
Receivables from –non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-

Notes to the Financial Statements (Continued)

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.

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

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:

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

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

Notes to the Financial Statements (Continued)

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

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.

Description	Change in currency rate	Effect on Profit before tax	Effect on Equity
	Kshs	Kshs	Kshs
2022 (previous year)			
Euro	10%	-	-
USD	10%	-	-
2023 (current year)			
Euro	10%	-	-
USD	10%	-	-

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 of KShs (2022: KShs). A rate increase/decrease of 5% would result in a decrease/increase in surplus of KShs (2023 – KShs).

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:

Description	2022/2023	2021/2022
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	-	-
Capital reserve	-	-
Total funds	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/ (<i>excess cash and cash equivalents</i>)	-	-
Gearing	-	-

Notes to the Financial Statements (Continued)

44. 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.

Machakos County Government is the principal shareholder of the *entity*, holding 100% of the *entity's* 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

Description	2022/2023	2021/2022
	Kshs	Kshs
Transactions with related parties		
a) Services offered to related parties		
Services	-	-
Sales of services	-	-
Total	-	-
b) Grants from the Government		
Grants from County Government	-	-
Grants from the National Government Entities	-	-
Donations in kind	-	-
Total	-	-
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees	-	-
Payments for goods and services	-	-
Total	-	-
d) Key management compensation		

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

Directors' emoluments	-	-
Compensation to the medical Sup	-	-
Compensation to key management	-	-
Total	-	-

45. Segment Information

Where an organisation operates in different geographical regions or in departments, IPSAS 18 on segmental reporting requires an entity to present segmental information of each geographic region or department to enable users understand the entity's performance and allocation of resources to different segment.

46. Contingent Liabilities

Contingent liabilities	2022/2023	2021/2022
	Kshs	Kshs
Court case against the company	-	-
Bank guarantees in favour of subsidiary	-	-
Total	-	-

(Give details)

47. Capital Commitments

Capital Commitments	2022/2023	2021/2022
	Kshs	Kshs
Authorised For	-	-
Authorised And Contracted For	-	-
Total	-	-

48. Events after the Reporting Period

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

49. Ultimate and Holding Entity

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

50. Currency

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

20.

21. Appendices

Appendix 1: Progress on Follow up of Auditor Recommendations

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

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

Guidance Notes:

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

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Accounting Officer



Appendix II: Projects Implemented by the Entity

Projects

Projects implemented by the Hospital Funded by development partners

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

Status of Projects completion

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

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

Appendix III: Inter-Entity Confirmation Letter

REPUBLIC OF KENYA



COUNTY GOVERNMENT OF MACHAKOS
DEPARTMENT OF HEALTH & EMERGENCY SERVICES

Kalama Level 4 Hospital
P.O. BOX 191-90102 Kalama

The Kalama Level 4 Hospital 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 Kalama Level 4 Hospital as at 30 th June 2023							
Reference Number	Date Disbursed	Amounts Disbursed by (KShs) as at 30th June 2023				Amount Received by Kalama Level 4 Hospital (KShs) as at 30 th	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		

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

						June 2023 (E)	
TRANSFE R	18 oct 2023	250,000.00	0.00	0.00	0.00	250,000.00	0.00
TRANSFE R	22 nd Dec 2023	250,000.00	0.00	0.00	0.00	250,000.00	0.00
TRANSFE R	4 th May 2023	650,000.00	0.00	0.00	0.00	650,000.00	0.00
TRANSFE R	15 th May 2023	49,820.00	0.00	0.00	0.00	49,820.00	0.00
Total		<u>1,199,820.00</u>				<u>1,199,820.00</u>	

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

Head of Accounts Department of the beneficiary entity:

Name Eric Mdo Sign [Signature] Date 25/5/2024



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

Appendix IV Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities	Quarter				Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

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

Appendix V: Disaster Expenditure Reporting Template

Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments