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**REPORT**

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**OF**

**THE AUDITOR-GENERAL**

**ON**

**LUNGA LUNGA SUB-COUNTY LEVEL 4  
HOSPITAL**

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

**COUNTY GOVERNMENT OF KWALE**



*Issued 30<sup>th</sup> June 2023*



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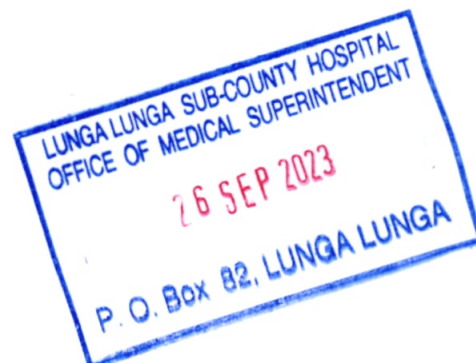
**LUNGALUNGA SUB COUNTY  
Level 4 HOSPITAL  
( Kwale County Government)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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



***Lunga-Lunga Sub County Hospital (Kwale County Government)***  
***Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023***

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

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

L/Lunga Sub County Hospital is a level 4 hospital established under gazette notice number 786 and is domiciled in Kwale County. The hospital is governed by a Board of Management.

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

The principal activities of the hospital majored in the three essential programs highlighted as:

- Preventive & Promotive Health Services
- Curative Health Services
- General Administration, Planning & Support Services

This hospital performs its activities with regard to the 7 pillars of Health Systems Management which are Service delivery, Human Resources, Health Infrastructure, Health products, Health Information, Health Leadership and Health Financing. Service Delivery activities and targets are set according to the 5 life cycle cohorts:

- 1; Pregnancy and new born care,
- 2; Childhood,
- 3; Children and youth,
- 4; Adults and
- 5; Elderly. ...

#### **Vision:**

To have a functional and health services Sub County hospital that contributes to the holistic development in the County.

#### **Mission:**

A sub county hospital whose health services resonates with the health needs of its residents for sustained development in the County.

#### **Goal:**

To have a developed and well equipped health facility for improved health services.

#### **Core Values**

The Lunga –Lunga Sub County Hospital upholds to the values of Transparency and Accountability, integrity, inclusiveness and equity, Empowerment, Quality/ results oriented and Innovation.

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

The *Hospital's* day-to-day management is under the following key organs:

- County Department of Health
- Board of Management
- Medical Superintendent
- Health Administration Officer
- Nursing In-charge
- Chief Accountant
-

**(d) Fiduciary Management**

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

No.	Designation	Name
1	Medical Superintendent	Joy Nduku
2.	Health Administration Officer	Binti Ali Shee
3	Nursing In -Charge	Florence Wambua
4	Accountant	Suleiman M. Mtende

**(e) Fiduciary Oversight Arrangements**

Here, provide a high-level description of the key fiduciary oversight arrangements covering (say):

- Quality and Stakeholders Committee
- Finance and Audit committee activities
- Environment Committee activities

**(f) Hospital Headquarters**

Off Lunga Lunga-Horohoro Road  
Adjacent to L/Lunga Primary School  
P.O. Box 82-80402  
L/Lunga.  
KENYA

**(g) Hospital Contacts**

Telephone: (254) 780729893  
E-mail: rahmashee9@gmail.com

**(h) Hospital Bankers**

Kenya Commercial Bank -KCB.  
P.O. Box 6  
Ukunda Branch,  
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**

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





**(k) County Attorney**

Office of the Governor  
County Headquarters  
P.O. Box.4-80405  
Kwale, Kenya

## II. The Board of Management

<p>1.</p> 	<p><b><u>ALI S. MWAZIRO-CHAIRPERSON</u></b> Mr Ali Salim Mwaziro was born in 1967 and still at the age of 55years, diligently performing his duties in both the Community work as well as being a Chairperson to the hospital Board of Management. He holds Diploma in Education ..</p>
	<p><b><u>DR JOY NDUKU-MEDSUPT</u></b> An MO (Medical officer/Doctor) licenced by the Kenya Medical Practitioners and Dentists Council and holder of a degree in Bachelor of Medicine and Bachelor of Surgery (MBChB).</p>
	<p><b><u>REHEMATA NANDITO-MEMBER</u></b> A well-known girl child activist and philanthropist in the whole of Kwale County who has helped both female OVC and MVC from the Maasai communities.</p>
<p>2.</p> 	<p><b><u>ANJELEMY KIMEU-MEMBER</u></b> Anjelemy Kimeu attained his O Level education in 1987 at Komeundu Boys high school (1984-1987). Thereafter, served as a Storekeeper in Kemfro Africa Ltd and then as a Cashier at Agip Petroleum Company both situated in Nairobi.</p>
<p>5</p> 	<p><b><u>TERESIA CHIGAMBA CHABOGO-MEMBER</u></b> Born in 1963 at Mwangulu Village in L/Lunga Sub County, Kwale County. Attained her CPE Certificate at Mwangulu Primary school in 1979.</p>
<p>6 .FujoJuma Hussein</p>	<p><b><u>FUJO JUMA HUSSEIN-MEMBER BOARD OF MANAGEMENT</u></b></p>
<p>7.</p> 	<p><b><u>ANNA KWALE -MEMBER</u></b></p>
<p>8</p> 	<p><b><u>KARUA MASUDI NGOCHO-MEMBER</u></b> Born in 1948 at Kikoneni Village in L/Lunga Sub County. He attained his primary education at Kikoneni Primary school (1963-1969), then proceeded to Makupa High School between 1970-1971.</p>
<p>9</p> 	<p><b><u>REHEMATA JULIUS -MEMBER BOARD OF MANAGEMENT</u></b></p>

### III. Management Team

Ref	Management	Details
1.		<p><b><u>DR JOY NDUKU-MEDSUPT</u></b> An MO (medical doctor) licensed by the Kenya Medical Practitioners and Dentists Council and holder of a degree in Bachelor of Medicine and Bachelor of Surgery (MBChB). I am pursuing certification by the University of Washington in Leadership and Management in Health.</p>
2.		<p><b><u>BINTIALI SHEE- HAO</u></b> To offer quality and efficient Administrative health services in Kwale County and Kenya at large as outlined in public health code of ethics.</p>
3.		<p><b><u>SULEIMAN MAZERA MTENDE-ACCOUNTANT</u></b> CPA Finalist, Msc Finance (In Progress) and Bsc Finance. Mazera is an analytical and accounting prowess endowed professional with extensive experience in numerous areas of the accounting function. Results-driven and team-oriented person whose accomplishments reflect superior business acumen, financial development skills and demonstrated commitments to organization growth.</p>
4.		<p><b><u>FLORENCE KATHINA WAMBUA-NURSING IN-CHARGE</u></b> Bachelors degree in nursing with masters degree in nursing on going I am registered and licensed to practice as a nurse by the nursing council of Kenya My academic qualification has enabled me to ensure that the Nursing profession becomes the centre of excellence for practice and service delivery in health care delivery system</p>

#### **IV. Chairman's Statement**

The Lunga-lunga Sub-County hospital operates through adhering to the program based approach in accordance with the guidelines from the County. This system guarantees a bottom-up approach in which the service delivery priorities are adequately addressed and sufficiently costed.

The hospital also puts into consideration all the strategic priorities as stipulated in the County Health Sector Strategic and Investment Plan (CHSSIP) and the Kenya health sector strategic and Investment Plan (KHSSP) 2014-2030. In cognizant of the resource constraints facing the hospital, the Board of Management makes an attempt to address these challenges by proposing incorporation of both County and Non-County actors in raising resources for its implementation.

There have been numerous linkages which have come up as a result of the presence of the hospital board of management namely,

- Community sensitization on importance of clinical reviews to the expectant mothers
- Community dialogues regarding health services
- Outreaches where the physically impaired kids hidden as per culture as diagnosed and supported through Occupational Therapeutically sessions.
- Rewarding the TBAs (Traditional Birth Attendants) through monthly meetings lunches and technical support from the health care workers.

#### **V. Report of The Chief Executive Officer**

L/Lunga Sub County Hospital operates with a focus on performance based service delivery which is a framework for planning, management and monitoring budgets that relates the purposes of resource allocations to effectiveness in achieving desired outcomes. The hospital priorities are defined in the new Kenya Health Policy 2014-2030 and elaborated through the KHSSP III guided by the provisions and mandates of the Constitution 2010, goals of vision 2030 and the County Integrated Development Plan (CIDP) for the year 2019-2024

The three major programs highlighted in this plan are:

- Preventive & Promotive Health Services
- Curative Health Services
- General Administration, Planning & Support Services

This hospital performs its activities with regard to the 7 pillars of Health Systems Management which are Service delivery, Human Resources, Health Infrastructure, Health products, Health Information, Health Leadership and Health Financing. Service Delivery activities and targets are set according to the 5 life cycle cohorts:

- 1; Pregnancy and new born care,
- 2; Childhood,
- 3; Children and youth,

4; Adults and  
5; Elderly.

The health workforce / Human resource still remains a major challenge in the hospital. The gap has been identified and strategies to improve this have been developed. The Hospital also has a well elaborated plan to ensure commodities and products are available in good time where they are required. A lot of support from the County Government, through the Kenya Medical Supplies Agency and MEDs is required for better performance.

The L/Lunga Sub-County Hospital has a rich data base of health information however the stakeholders supporting the health activities are inadequate. Leadership and Governance is essential for positive performance, implementation of the hospital activities and achievement of the targets. Financing is mainly through County Government and at a few times from health partners (NGO).

There has been a rise in the number of patients presenting with non-communicable diseases. Health education, screening services and availability of commodities for the NCDs has been given a high priority.

Main causes of morbidity and mortality are due to preventable causes which forces us to concentrate more on preventive and health promotion health services than the curative services. The commonest causes of deaths are pneumonia, anaemia, malaria, Dehydration and meningitis.

In support of Kwale county department of health efforts, the hospital is committed to ensuring that quality health care is available, accessible and affordable to the community so that they can effectively contribute towards their socio-economic development.

## **VI. Statement Of Performance Against Predetermined Objectives**

This hospital performs its activities with regard to the 7 pillars of Health Systems Management which are

- 1) Service delivery,
- 2) Human Resources,
- 3) Health Infrastructure,
- 4) Health products,
- 5) Health Information,
- 6) Health Leadership and
- 7) Health Financing.

Service Delivery activities and targets are set according to the 5 life cycle cohorts:

- 1; Pregnancy and new born care,
- 2; Childhood,
- 3; Children and youth,
- 4; Adults and
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## **VII. Corporate Governance Statement**

The Board of Management is comprised of 9 members where there is a Chairperson and eight members. Hospital Board normally conducts four quarterly meetings in every financial year. At least two thirds of the total number of members should be present in order for a decision to be arrive at. However, there are sometimes where ad hoc or emergency meetings are conducted in order to come up a quick solution to an emerging situation. The Hospital Medical Superintendent is always the Secretary to the Board of Management meetings.

Appointment of the Board members is usually done by the Executive principals with the help of CEC and Chief Officer health. After their names have been gazetted and inducted, that is when implementation of their activities start. They are supposed to serve for a period of three years and thus their term come to its finis once the period has ended.

The board induction and training on hospital issues are normally organized and done by the department of Public Service and Administration in collaboration with the department of health. The whole Board and member performance is done by the principals of department of health where meetings are held and evaluations conducted.

Additionally, the Board remuneration or allowances are guided by the rate depicted in the national gazette. In most cases, the level 4 Board allowances rates are clearly known and they range from Ksh 5,000 for the members to Ksh 6,500 for the chairperson in each meeting. The Board members should conduct their affairs in accordance with the stipulated ethics.

## **VIII. Management Discussion and Analysis**

L /Lunga hospital has maternity wing, X-ray block, Kitchen, enough wash rooms both for patients and staff, Out Patient block, the Accident and Emergency part, female ward and the male ward. It has a capacity of holding 72 in patients, male ward 25, Female ward 25, maternity wing 16 and the Accident and Emergency wing 6.

In a matter of safety and compliance to patients served, the facility has two sources of water i.e Kwale water source which ensure clean and safe water for drinking and cooking and the other source is borehole water where a sample was examined at the national laboratory and was diagnosed that water is only suitable for washing clothes, utensils and be utilised on gardening at the facility but not for drinking since its salinity is of high concentration. In addition to that, the hospital has a public health officer who ensures that disposal of waste is done appropriately and desludging is done on quarterly basis to do away with the stinking and fetid odours.

In the F/Y 2022-2023, the overall patient attendance for both inpatient and outpatient were sub divided in the following categories:

- i. Outpatient-17,124 from 15,877 last year
- ii. MCH-12,635 from 9,885 last year
- iii. In patient Department-3,910 from 3,446 last year

- iv. Dental-1,074 from 1127 last year
- v. Special Clinics-5,285
- vi. Maternity Deliveries-2,239

There were 395 theatre surgeries from 191 where 364 of those were Caesarean Section surgeries while 31 were other surgeries.

The hospital has bed occupancy rate of 37% from 51.3% in the previous year, the Average length of stay for in patient is 2.4 days from 3 days. Paeds and general medical have average length of stay of 5 days, while maternity has 1 day average length of stay. The clients who attended specialized clinics which include eye clinic, hypertension and others were 5,285 from 7,649 last year. Accident and Emergency wing received 6 cases during the year and the mortality rate was 3.7% from the 10% of last year.

L/Lunga hospital receives some support from other stakeholders like Naya Kenya, Stawisha Pwani and Base Tetanium in conducting of surgical camps that have been having a positive impact to the people of L/Lunga.

Sources of revenue to the hospital is mainly from the County Government through the department of health administration. This is done in three categories namely,

- i. The hospital imprest
- ii. Employee salaries
- iii. Medical drugs and pharmaceuticals

The hospital imprest is normally an amount which is monthly remitted to the hospital account for daily operations of the hospital activities. It mainly caters for Daily subsistence allowances, catering services, telephone services, domestic travel facilitations and minor maintenances. Employee salaries and their deductions are paid directly from the County Treasury to the individual accounts. On the other hand, the medical drugs and pharmaceutical materials are procured centrally from the department of health administration.

A part from the hospital being a revenue collection centre, it is mandated not to utilize the funds at source as per the PFM Act 2012 and thus whatever collected is normally transferred to the County Revenue Fund Account.

## **IX. Environmental And Sustainability Reporting**

L/Lunga Sub County Hospital is charged with the responsibility of providing and promoting quality, curative and preventive healthcare services that are responsive, accessible and affordable to the county citizens. Provision of quality health services will result in a healthy and productive population. The availability of accessible and affordable health services is critical for sustainable development.

The health-related challenges, including limited access to clean and health environment to prevent diseases. The department has a wide range of interventions designed to create and maintain an environment conducive to human health; reduce people's exposure to diseases by providing a clean environment in which to live; and measures to break the cycle of diseases. The department has also involved in the following corporate social responsibility:

### **1. Sustainability strategy and profile**

The hospital provides and promotes quality, curative and preventive healthcare services under health services management. This include provision of medical drugs, conduct community sensitization, dialogues and outreaches where immunization services and other community health services are done. It is also composed of the strategies to protect the health wellbeing through the use of community health volunteer's and community health extension workers.

### **2. Environmental performance**

The Hospital in collaboration with the Environment Committee has successfully:

- i. Maintained a clean friendly environment eg participating in community cleanup-25%
- ii. Developed and implemented environmental awareness creation programs-15%
- iii. Developed Waste management policies that includes: -
  - Construction of incinerators in all hospitals in the Department-50%
  - Developing and implementing mechanisms for proper disposal of medical-waste, e.g. sharps, infectious waste and general wastes-90%
- iv. Established measures to mitigate against water, air, noise and other forms of pollution-10%

### **3. Employee welfare**

Employee welfare has been achieved through the following:

- Strengthening the hospital culture by upholding the requirements of Chapter 6 of the Constitution on Leadership and Integrity by developing able and competent personnel with the highest standards of integrity;
- Regular monitoring, evaluation and reporting on the extent to which the Core Values and Principles of the hospital are adhered to within the hospital premises.
- Facilitate disciplinary control over persons holding or acting in public service officers and ensuring the staff code of conduct is adhered to by all hospital employees; and

- Promoting coherent, integrated human resource planning and budgeting and carrying out staff audits to discourage incidences of “ghost workers” and advise the health department on human resources development and management
- Promoting cordial relationship among health care workers in the hospital through having end of year get together where challenges are shared and amicable solutions arrived at.

#### **4. Community Engagements-**

Through public participation the residents have played a role in decision making processes, participate in monitoring and evaluation of infrastructural projects erected in the hospital and provide advice where required in liaison with hospital management team.

Organization and conducting of medical camps where specialists on various areas come to conduct free surgeries to the community people. For instance, in 2022 and 2023 there was a medical camp at Bwiti Area where more than 537 patients from the Dzombo ward of L/Lunga Sub County were attended ranging from Hydroceles screening, Cancer screening, skin conditions screening, FP, Hypertension and cardiac issue reviews.

## **Report of The Board of Management**

The Board members submit their report together with the audited financial statements for the year ended June 30, 2022 which show the state of the hospital affairs.

### **Principal activities**

The principal activities of the hospital are the three major programs highlighted as:

- Preventive & Promotive Health Services
- Curative Health Services
- General Administration, Planning & Support Services

This hospital performs its activities with regard to the 7 pillars of Health Systems Management which are Service delivery, Human Resources, Health Infrastructure, Health products, Health Information, Health Leadership and Health Financing. Service Delivery activities and targets are set according to the 5 life cycle cohorts:

- 1; Pregnancy and new born care,
- 2; Childhood,
- 3; Children and youth,
- 4; Adults and
- 5; Elderly.

### **Results**

The results of the entity for the year ended June 30 are set out on page 1 to 7.

### **Board Of Management**

The members of the Board who served during the year are shown on page(iii). During the year 2021/2022 one member passed on and thus , eight out of the nine members are the ones who served till the end of the FY 22/23.

### **Auditors**

The Auditor General is responsible for the statutory audit of the L/Lunga Sub County Hospital in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 by order of the Board.

Name: *DR. JOY NDUKU*  
Signature: *[Handwritten Signature]*  
Secretary to the Board

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

Section 81 of the Public Finance Management Act, 2012 and require the Board of Management to prepare financial statements in respect of that **L/Lunga Sub County Hopsital**, which give a true and fair view of the state of affairs of the **L/Lunga Sub County Hospital** at the end of the financial year/period and the operating results of the **L/Lunga Sub County Hospital** for that year/period. The Board of Management is also required to ensure that the **L/Lunga Sub County Hopsital** keeps proper accounting records which disclose with reasonable accuracy the financial position of the **L/Lunga Sub County Hospital**. The council members are also responsible for safeguarding the assets of the **L/Lunga Sub County Hospital**.

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

The council members accept responsibility for the **L/Lunga Sub County Hospital** financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (– entities should quote applicable legislation as indicated under). The council members are of the opinion that the **L/Lunga Sub County Hospital** financial statements give a true and fair view of the state of **L/Lunga Sub County Hospital** transactions during the financial year ended June 30, 2023, and of the **L/Lunga Sub County Hospital** financial position as at that date. The council members further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the **L/Lunga Sub County Hospital** financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the council members to indicate that the **L/Lunga Sub County Hospital** will not remain a going concern for at least the next twelve months from the date of this statement.

### Approval of the financial statements

The Hospital’s financial statements were approved by the Board on 22/9/2023 and signed on its behalf by:

*For*  
Name: ALI SALIM MHAZIRO  
Chairperson  
Board of Management

DR. JOY NDUKU  
Name: [Signature]  
Accounting Officer

# REPUBLIC OF KENYA



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

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

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### PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and 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 purposes.
- 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 under Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Lunga Lunga Sub-County Level 4 Hospital set out on pages 1 to 52, which comprise of the statement of financial position

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*Report of the Auditor-General on Lunga Lunga Sub-County level 4 Hospital for the year ended 30 June, 2023 – County of Government Kwale*

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

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

### **Basis for Qualified Opinion**

#### **1. Inaccuracy in the Statement of Comparison of Budget and Actual Amounts**

Review of the statement of comparison of budget and actual balance reflects a total budgeted revenue of Kshs.113,890,921 and actuals of Kshs.111,911,507. However, the total balance of the budgeted expenses and actual balances has been omitted from the statement.

In the circumstances, the accuracy and completeness of the statement of comparison of budget and actual balances could not be confirmed.

#### **2. Unconfirmed Inventory Balance**

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

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

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

The statement of financial position reflects a balance of Ksh.747,754 in respect of property, plant and equipment balance as disclosed in Note 31 to the financial statements. However, review of Hospital records and physical verification revealed various assets including land, buildings, motor vehicles, furniture, computers and equipment which were not disclosed in the financial statements. Further, the ownership documents for land were not provided for audit.

In the circumstances, the accuracy, completeness and ownership of the property, plant and equipment balance of Kshs.747,754 could not be confirmed.

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

### Key Audit Matters

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

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

### Conclusion

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

### Basis for Conclusion

#### Deficiencies in Implementation of Universal Health Coverage (UHC)

Review of Hospital records and interviews on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits by seventy-three (73) staff requirements or 72% of the authorized establishment.

Staff Requirements	Level 4 Standard	Number in Hospital	Variance	Percentage %
Medical Officers	16	7	9	45
Anesthesiologists	2	3	-1	101
General Surgeons	2	0	2	100
Gynecologists	2	1	1	50
Pediatrics	2	0	2	100
Radiologists	2	0	2	100
Kenya Registered Community Health Nurses	75	17	58	80
<b>Total</b>	<b>101</b>	<b>28</b>	<b>73</b>	<b>72</b>

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

<b>Service</b>	<b>Level 4 Hospital Standard</b>	<b>Actuals In the Hospital</b>	<b>Variance</b>	<b>Percentage %</b>
Beds	150	43	107	71
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	6	100
High Dependency Unit (HDU) Beds	6	0	6	100
Renal Unit with At Least 5 Dialysis Machines	5	0	5	100
Two Functional Operational Theatres- Maternity & General	2	0	2	100

These deficiencies contravene the First Schedule of the 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 may not be able to deliver on its mandate.

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

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

### Conclusion

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

## **Basis for Conclusion**

### **1. Inadequate Storage Space**

Physical verification of the Hospital pharmaceutical stores revealed that the store did not have a functional air conditioner and therefore a section of the store did not have the proper temperature for drugs storage. Further, a section of the ceiling had been damaged by pests posing a risk of water leakage into the store which could damage the unused drugs. It was also noted that the non-pharmaceutical stores had inadequate storage space with no shelves and partitions and was manned by the Nurse-in-Charge instead of a store keeper.

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

### **2. Lack of Revenue Collecting System**

Review of the Hospital revenue process and billing system revealed that patients were billed and paid using M-PESA pay-bill and point of sale (P.O.S) system. The daily and monthly income reports generated from different services offered were not done in the Integrated Hospital Information Management System for ease of trail of the revenue earned.

In the circumstances, the effectiveness of internal controls designed in the revenue collection could not be confirmed.

### **3. Lack of Risk Management Policy**

During the year ended 30 June, 2023, 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 could be compromised.

### **4. Lack of Strategic Plan and an Approved Disaster Recovery Plan**

It was established that during the year under review, the Hospital did not have a strategic plan in place. Further, the Hospital did not have a disaster recovery and business continuity plan and an offsite backup plan in case of any emergencies and disasters. This was contrary to Paragraph 3.6(a) and (d) of chapter 3 of Code of Governance for Semi-Autonomous Public Entities that states that the Board of Management should establish an ICT policy.

In the circumstances, the effectiveness of internal controls on data recovery and business continuity could not be confirmed.

## **5. Expired Medical Supplies**

The statement of financial position reflects Kshs.Nil balance in respect of inventory as disclosed in Note 30 to the financial statements. Review of the store records on pharmaceuticals and non-pharmaceuticals revealed that 12,970 units of various drugs of undetermined value had expired.

In the circumstances, the effectiveness of internal controls on the management of pharmaceutical and non-pharmaceutical 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 controls, 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 controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Hospital's ability to sustain 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 its 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 controls would not necessarily disclose all matters in the internal controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal controls components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to

those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

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

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

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

  
**FCPA Nancy Gathungu, SBS**  
**AUDITOR-GENERAL**

**Nairobi**

**18 June, 2024**

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

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

Description	Notes	2022/23 Kshs	2021/22 Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from the County Government	6	2,200,332	1,623,300.00
In-kind contributions from the County Government	7	107,820,254.40	118,236,032.00
Grants from donors and development partners (Global Fund Commodities)	8	1,890,921.06	9,052,415.00
Transfers from other Government entities	9		-
Public contributions and donations	10		-
		<b>111,911,507.46</b>	<b>128,911,747.00</b>
<b>Revenue from exchange transactions</b>			
Rendering of services- Medical Service Income	11	-	-
Revenue from rent of facilities	12	-	-
Finance /Interest Income	13	-	-
Other income ( <i>specify</i> )	14		-
		-	-
<b>Total revenue</b>		<b>111,911,507.46</b>	<b>128,911,947.00</b>
<b>Expenses</b>			
Medical/Clinical costs	15	6,141,305.00	8,805,880
Employee costs	16	84,339,869.40	84,319,868.40
Board of Management Expenses	17	119,147.00	487,650
Depreciation and amortization expense	18	141,578.13	137,037.50
Repairs and maintenance	19	1,166,478	2,146,792
Grants and subsidies	20	1,890,921.06	9,052,415.00
General expenses	21	17,359,031.00	22,792,999.10
Finance costs	22	5,423	16,503.00
<b>Totalexpenditures</b>		<b>111,163,753</b>	<b>127,759,145.00</b>
<b>Other gains/(losses)</b>			
Gain on disposal of non-Current assets	23	-	-

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

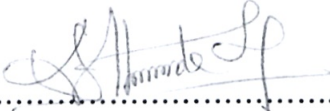
Unrealized gain on fair value of investments	24	-	-
Medical services contracts Gains/Losses	25	-	-
Impairment loss	26	(-)	-
Gain on foreign exchange transactions		-	-
<b>Total othergains/(losses)</b>		-	-
<b>Net Surplus for the year</b>		<b>747,754.46</b>	<b>1,152,803</b>
Attributable to:			
Surplus/(deficit) attributable to minority interest			-
Surplus attributable to owners of the controlling entity		747,754.46	1,152,803
			-

(The notes set out on pages 26 to 51 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 28/9/2023 and signed on its behalf by:

For:   
.....

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

  
.....

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

  
.....

**Medical Superintendent**

**XIII. Statement of Financial Position as of 30<sup>th</sup> June 2023**

Description	Notes	2022/23	2021/22
		Kshs	Kshs
<b>Assets</b>			
<b>Currentassets</b>			
Cash and cash equivalents	27	220	241
Receivables from exchange transactions	28		-
Receivables from non-exchange transactions	29	-	621,450
Inventories	30		-
<b>Total Current Assets</b>		<b>220</b>	<b>621,691</b>
<b>Non-currentassets</b>			
Property, plant, and equipment	31		
Furniture		484,200.00	180,000.00
ICT and Equipment		263,334.40	351,112.50
Intangible assets	32		-
Investment property	33		-
<b>Total Non-current Assets</b>		<b>747,534.40</b>	<b>531,112.50</b>
<b>Totalassets</b>		<b>747,754.40</b>	<b>1,152,803.5</b>
<b>Liabilities</b>			
<b>Currentliabilities</b>			
Trade and other payables	34	-	-
Refundable deposits from customers/Patients	35	-	-
Provisions	36	-	-
Finance lease obligation	37	-	-
Current portion of deferred income	38	-	-
Current portion of borrowings	39	-	-
<b>Total Current Liabilities</b>		<b>-</b>	<b>-</b>
<b>Non-currentliabilities</b>			
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	-	-



***Lunga Lunga Sub County Hospital (Kwale County Government)***  
***Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023***

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*Lunga Lunga Sub County Hospital (Kwale County Government)  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023*

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

	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2021	-	-	-	-
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	-	-	-
Capital/Development grants	-	-	-	-
As at June 30, 2022	1,152,803.50	-	-	1,152,803.50
At July 1, 2022	1,152,803.50	-	-	1,152,803.50
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	747,754.40	-	-	747,754.40
Capital/Development grants	-	-	-	-
At June 30, 2023	1,900,557.90	-	-	1,900,557.90

*(The notes set out on pages 26 to 51 form an integral part of the Annual Financial Statements.)*

The Hospital's financial statements were approved by the Board on 28/9/2023 and signed on its behalf by:

*for* 

**Chairman  
Board of Management**



**Head of Finance  
ICPAK No:**



**Medical Superintendent**

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

Description	Note	2022/23 Kshs	2021/22 Kshs
<b>Cashflowsfromoperatingactivities</b>			
<b>Receipts</b>			
Transfers from the County Government		2,200,332	1,623,300
Grants from donors and development partners			-
Transfers from other Government entities			-
Public contributions and donations			-
Rendering of services- Medical Service Income			-
Revenue from rent of facilities			-
Finance / interest income			-
Other receipts(Global Fund Commodities)			-
<b>Total Receipts</b>		<b>2,200,332</b>	<b>1,623,300</b>
<b>Payments</b>			
Medical/Clinical costs		23,400	411,357
Employee costs			-
Board of Management Expenses		119,147	236,500
Repairs and maintenance		535,178	55,630
Grants and subsidies			-
General expenses		1,516,964	903,069
Finance costs		5,423	16,503
Refunds paid out			-
<b>Total Payments</b>		<b>2,200,112</b>	<b>1,623,059</b>
<b>Netcashflowsfromoperatingactivities</b>	41	<b>220</b>	<b>241</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment, & intangible assets		(-)	(-)
Proceeds from the sale of property, plant, and equipment		-	-
Acquisition of investments		(-)	(-)
<b>Netcashflowsusedininvestingactivities</b>		<b>(-)</b>	<b>(-)</b>
<b>Cashflowsfromfinancingactivities</b>			
Proceeds from borrowings		-	-
Repayment of borrowings		(-)	(-)
Capital grants received		-	-
<b>Netcashflowsusedinfinancingactivities</b>		<b>(-)</b>	<b>(-)</b>

**Lunga Lunga Sub County Hospital (Kwale County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023**

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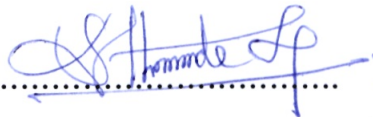
<b>Net increase/(decrease) in cash and cash equivalents</b>		-	(-)
Cash and cash equivalents at 1 July	27		241
<b>Cash and cash equivalents at 30 July</b>	<b>27</b>	<b>220</b>	<b>241</b>

*(IPSAS 2 allows an entity to present the cash flow statement using the direct or indirect method but encourages the direct method. PSASB also recommends the use of direct method of cash flow preparation).*

The notes set out on pages 26 to 51 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 28/9/2023 and signed on its behalf by:

For: 

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



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

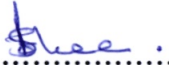


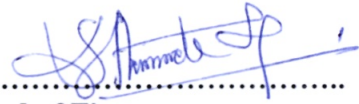
**Medical Superintendent**


XVI. Statement Of Comparison of Budget and Actual Amounts For The Year Ended 30 June 2023

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
<b>Revenue</b>						
Transfers from the County Government	112,000,000	0	112,000,000	110,020,586.4	1,979,413.6	98.23%
Grants from donors and development partners	1,890,921.06	0	1,890,921.06	1,890,921.06	0	100%
Transfers from other Government entities	-	-	-	-	-	%
Public contributions and donations	-	-	-	-	-	%
Rendering of services- Medical Service Income		-	-	-	-	-
Revenue from rent of facilities	-	-	-	-	-	%
Finance / interest income	-	-	-	-	-	%
Other receipts ( <i>specify</i> )	-	-	-	-	-	%
<b>Total income</b>	<b>113,890,921.06</b>	<b>0</b>	<b>113,890,921.06</b>	<b>111,911,507.46</b>	<b>1,979,413.6</b>	<b>90.11%</b>
<b>Expenses</b>						
Medical/Clinical costs	7,000,000	0	7,000,000	6,141,305	858,695	87.73%
Employee costs	84,339,868.4	0	84,339,868.4	84,339,868.4	-	100%
Remuneration of directors	500,000	0	500,000	119,147	380,853	23.83%
Repairs and maintenance	1,500,000	0	1,500,000	1,166,478	333,522	77.78%
Grants and subsidies	1,890,921.06	0	1,890,921.06	1,890,921.06	0	100%
General expenses	18,000,000	0	18,000,000	17,359,031	640,969	96.4%
Finance costs	10,000	0	10,000	5,423	4,577	54.23%
Refunds	-	<b>0</b>	-	-	-	%
<b>Surplus for the period</b>				<b>747,754.40</b>		
<b>Capital expenditure</b>						

The notes set out on pages 26 to 51 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 26/9/2023 and signed on its behalf by:

For:   
.....  
**Chairman**  
**Board of Management**

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

  
.....  
**Medical Superintendent**

## **XVII. Notes To the Financial Statements**

### **1. General Information**

Lunga-Lunga Sub County Hospital entity is established by and derives its authority and accountability from PFM Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is medical health and service delivery

### **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 actuarial 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 Lunga Lunga Sub County Hospital'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 28. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Lunga Lunga Sub County Hospital.

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

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

IPSASB deferred the application date of standards from 1<sup>st</sup> January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1<sup>st</sup> January 2023.

*Notes to the Financial Statements (Continued)*

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

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

**Lunga Lunga Sub County Hospital (Kwale County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023**

	<p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p><b>Applicable: 1st January 2023:</b></p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
Other improvements to IPSAS	<p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b></li> </ul> <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</p> <p><i>State the impact of the standard to the Entity if relevant</i></p>
IPSAS 43	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that</p>

	<p>leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><b><i>State the impact of the standard to the Entity if relevant</i></b></p>
<p>IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations</p>	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><b><i>State the impact of the standard to the Entity if relevant</i></b></p>

**ii. Early adoption of standards**

The entity did not early – adopt any new or amended standards in the year 22/23

**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.

*Notes to the Financial Statements (Continued)*

**Revenue from exchange transactions**

**Rendering of services**

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to 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.

**Dividends**

Dividends or similar distributions must be recognized when the shareholder's or the entity's right to receive payments is established.

**Rental income**

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

*Notes to the Financial Statements (Continued)*

**b) Budget information**

The original budget for FY 22/23 was approved by Board on July 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 **0** on the FY 22/23 budget following the Board's approval. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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

*Notes to the Financial Statements (Continued)*

**c) Taxes**

**Sales tax/ Value Added Tax**

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

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

**d) Investment property**

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

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

**e) Property, plant and equipment**

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

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

*Notes to the Financial Statements (Continued)*

**f) Leases**

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

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

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

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

**g) Intangible assets**

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

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

**h) Research and development costs**

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

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

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

**i) Financial instruments**

**Financial assets**

**Initial recognition and measurement**

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments

or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

**Loans and receivables**

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

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

**Held-to-maturity**

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

**Impairment of financial assets**

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

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

**Financial liabilities**

**Initial recognition and measurement**

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

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

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

**Loans and borrowing**

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

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

**i) Inventories**

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

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

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

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

**j) 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.

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

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

**Contingent liabilities**

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

**Contingent assets**

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

**k) Nature and purpose of reserves**

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

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

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

**m) Employee benefits**

**Retirement benefit plans**

The Entity provides retirement benefits for its employees 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.

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

**n) Foreign currency transactions**

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

**o) Borrowing costs**

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

**p) Related parties**

The 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.

**q) Service concession arrangements**

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

*Notes to the Financial Statements (Continued)*

**r) Cash and cash equivalents**

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

**s) Comparative figures**

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

**t) Subsequent events**

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

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

The preparation of the 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)

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

**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.

*(Include provisions applicable for your organisation e.g provision for bad debts, provisions of obsolete stocks and how management estimates these provisions).*

**6. Transfers From The County Government**

<b>Description</b>	<b>2022/23</b>	<b>2021/22</b>
	<b>KShs</b>	<b>KShs</b>
<b>Unconditional grants</b>		
Operational grant	2,200,332	1,623,300
Level 5 grants		-
Other grants		-
	<b>2,200,332</b>	<b>1,623,300</b>
<b>Conditional grants</b>		
User fee forgone		-
Transforming health services for Universal care project (THUCP)		-
Global Fund Commodities		
Wards Development grant		-
Paediatric block grant		-
Administration block grant		-
Laboratory grant		-
<b>Total government grants and subsidies</b>	<b>2,200,332</b>	<b>1,623,300</b>

**Lunga Lunga Sub County Hospital (Kwale County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023**

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

**6 Transfers from The County Government**

Name of the Entity sending the grant	Amount recognized to Statement of financial performance KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	Total 2022/23
			KShs	KShs	KShs
Kwale County Government	2,200,332	-	-		2,200,332
<b>Total</b>	<b>2,200,332</b>	<b>-</b>	<b>-</b>		<b>2,200,332</b>

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

Description	2022/23	2021/22
	KShs	KShs
Salaries and wages	84,339,868.40	84,319,868.40
Pharmaceutical and Non-Pharmaceutical Supplies	12,753,730.00	20,161,469.35
Medical supplies-Drawings Rights (KEMSA)	10,746,656.00	13,754,694.6
Utility bills		-
<b>Total grants in kind</b>	<b>107,840,254.40</b>	<b>118,236,032.35</b>

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

Description	2022/23	2021/22
	KShs	KShs
Cancer Centre grant- DANIDA	-	-
World Bank grants	-	-
Paediatric ward grant- JICA	-	-
Research grants	-	-
Other grants (Gloal Fund Commodities)	1,890,921.06	9,052,415
<b>Total grants from development partners</b>	<b>1,890,921.06</b>	<b>9,052,415</b>

*(Provide brief explanation for this revenue)*

*Notes to the Financial Statements (Continued)*

**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	Total 2022/23
	KShs	KShs	KShs	KShs	KShs
Donor e.g., DANIDA	-	-	-	-	-
JICA	-	-	-	-	-
World Bank	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

**9. Transfers From Other Government Entities**

Description	2022/23	2021/22
	KShs	KShs
Transfer from National Government (Ministry of Health)	-	-
Transfer from a National Hospital	-	-
Transfer from an Institute	-	-
<b>Total Transfers</b>	-	-

**10. Public Contributions and Donations**

Description	2022/23	2021/22
	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	-	-
<b>Total donations and sponsorships</b>	-	-

**Lunga Lunga Sub County Hospital (Kwale County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023**

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

**10 (a) Reconciliations of amortised grants**

Description	2022/23	2021/22
	KShs	KShs
<b>Balance unspent at beginning of year</b>	-	-
Current year receipts	-	-
Amortised and transferred to revenue	-	-
<b>Conditions to be met – remain liabilities</b>	-	-

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

Description	2022/23	2021/22
	KShs	KShs
Pharmaceuticals	4,047,062	3,012,055
Non-Pharmaceuticals		-
Laboratory		-
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 (Capitation 1,200,000, EduAya 528,250 and Lindamama 7,507,950)	9,236,200	9,644,400
<b>Total revenue from the rendering of services</b>	<b>13,283,262</b>	<b>12,656,455</b>

*(All the revenue collections done in the facility are remitted to the County Revenue Fund Account and thus hospital does not utilize the funds )*

*Notes to the Financial Statements (Continued)*

**12. Revenue From Rent of Facilities**

<b>Description</b>	<b>2022/23</b>	<b>2021/22</b>
	<b>KShs</b>	<b>KShs</b>
Residential property	-	-
Commercial property	-	-
<b>Total Revenue from rent of facilities</b>	<b>-</b>	<b>-</b>

*(Provide brief explanation for this revenue)*

**13. Finance /Interest Income**

<b>Description</b>	<b>2022/23</b>	<b>2021/22</b>
	<b>KShs</b>	<b>KShs</b>
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	-	-
<b>Totalfinanceincome</b>	<b>-</b>	<b>-</b>

*(Provide brief explanation for this revenue)*

**14. Other Income**

<b>Description</b>	<b>2022/23</b>	<b>2021/22</b>
	<b>KShs</b>	<b>KShs</b>
Insurance recoveries	-	-
Income from sale of tender	-	-
Services concession income	-	-
Sale of goods (water, publications, containers etc)	-	-
<b>Totalotherincome</b>	<b>-</b>	<b>-</b>

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

**15. Medical/ Clinical Costs**

<b>Description</b>	<b>2022/23</b>	<b>2021/22</b>
	<b>KShs</b>	<b>KShs</b>
Dental costs/ materials		-
Laboratory chemicals and reagents	197,600	410,000
Public health activities		-
Food and Ration	3,763,369	5,800,000
Uniform, clothing, and linen	-	50,000
Dressing and Non-Pharmaceuticals	870,050	990,380
Pharmaceutical supplies		
Health information stationery		-
Reproductive health materials		-
Sanitary and cleansing Materials	1,010,286	834,410
Purchase of Medical gases	300,000	696,090
X-Ray/Radiology supplies		25,000
Other medical related clinical costs	-	-
<b>Total medical/ clinical costs</b>	<b>6,141,305</b>	<b>8,805,880</b>

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

**16. Employee Costs**

<b>Description</b>	<b>2022/23</b>	<b>2021/22</b>
	<b>KShs</b>	<b>KShs</b>
Salaries, wages, and allowances	84,339,868.40	84,319,868.40
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> )		-
<b>Employee costs</b>	<b>84,339,868.40</b>	<b>84,319,868.40</b>

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

*Notes to the Financial Statements (Continued)*

**17. Board of Management Expenses**

Description	2022/23	2021/22
	KShs	KShs
Chairman's Honoraria		-
Sitting allowance	103,147	471,650
Mileage		-
Insurance expenses		-
Induction and training		-
Travel and accommodation allowance	16,000	16,000
Airtime allowances		-
<b>Total</b>	<b>119,147</b>	<b>487,650</b>

**18. Depreciation And Amortization Expense**

Description	2022/23	2021/22
	KShs	KShs
Property, plant and equipment		-
Intangible assets		-
Furniture and Fittings	53,800.00	20,000.00
ICT and Equipments	87,778.13	117,037.50
Investment property carried at cost		-
<b>Totaldepreciationandamortization</b>	<b>141,578.13</b>	<b>137,037.50</b>

**19. Repairs And Maintenance**

Description	2022/23	2021/22
	KShs	KShs
Property- Buildings	735,578	771,930
Medical equipment	-	0
Office equipment		138,492
Furniture and fittings		407,370
Computers and accessories	60,500	342,140
Motor vehicle expenses	352,400	504,860
Maintenance of civil works		-
<b>Totalrepairsandmaintenance</b>	<b>1,166,478</b>	<b>2,164,792</b>

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**20. Grants And Subsidies**

<b>Description</b>	<b>2022/23</b>	<b>2021/22</b>
	<b>KShs</b>	<b>KShs</b>
Community development and social work		-
Education initiatives and programs		-
Free/ subsidised medical camp		-
Disability programs		-
Free cancer screening		-
Other grants and subsidies(Global Fund Commodities)	1,890,921.06	9,052,415
<b>Total grants and subsidies</b>	<b>1,890,921.06</b>	<b>9,052,415</b>

**21. General Expenses**

<b>Description</b>	<b>2022/23</b>	<b>2021/22</b>
	<b>KShs</b>	<b>KShs</b>
Advertising and publicity expenses		-
Catering expenses	293,150	439,000
Waste management expenses	-	-
Insecticides and rodenticides	-	-
Audit fees	-	-
Bank charges	-	-
Conferences and delegations	-	-
Consultancy fees	-	-
Contracted services/Consumables	477,200	787,667
Electricity expenses	-	-
Insurance	-	-
Research and development expenses	-	-
Travel and accommodation allowance	626,450	744,750
Other Fuels	368,114	532,200
Refined Fuel and Lubricants	2,678,411	4,204,018
Legal expenses		-
Licenses and permits		-
Courier and postal services		-
Printing and stationery	596,860	401,400
Hire charges	-	-
Rent expenses	-	-
Water and sewerage costs	860,230	1,132,220
Skills development levies	-	-

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Description	2022/23	2021/22
	KShs	KShs
Telephone and mobile phone services	239,800	166,095
Internet expenses/Computer accessories	-	124,140
General Office supplies	351,700	837,750
Medical Drugs	10,867,116	13,423,759.10
Staff training and development		-
Subscriptions to professional bodies		-
Subscriptions to newspapers periodical, magazines, and gazette notices		-
Library books/Materials		-
Parking charges		-
<b>Total General Expenses</b>	<b>17,359,031.00</b>	<b>22,792,999.10</b>

**22. Finance Costs**

Description	2022/23	2021/22
	KShs	KShs
Borrowings (amortized cost) *		-
Finance leases (amortized cost)		-
Bank charges for the year	5,423	16,503
Interest on Bank overdrafts/Guarantees		
Interest on loans from commercial banks		-
<b>Total finance costs</b>	<b>5,423</b>	<b>16,503</b>

*(Borrowing costs that relate to interest expense on acquisition of non-current assets and do not qualify for Capitalisation as per IPSAS 5: on borrowing costs should be included under this note.)*

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

Description	2022/23	2021/22
	KShs	KShs
Property, plant, and equipment	-	-
Intangible assets	-	-
Other assets not capitalised ( <i>specify</i> )	-	-
<b>Total gain on sale of assets</b>	<b>-</b>	<b>-</b>

**24. Unrealized Gain On Fair Value Investments**

Description	2022/23	2021/22
	KShs	KShs
Investments at fair value	-	-
<b>Total gain</b>	<b>-</b>	<b>-</b>

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

**25. Medical Services Contracts Gains /Losses**

Description	2022/23	2021/22
	KShs	KShs
Comprehensive care contracts with NHIF	1,200,000	1,587,500
Non- Comprehensive contracts care with NHIF	4,047,062	3,012,055
Linda Mama Program	7,507,950	8,056,900
EduAfya	528,250	-
Waivers and Exemptions		-
<b>Total Gain/Loss</b>	<b>13,283,262</b>	<b>12,656,455</b>

**26. Impairment Loss**

Description	2022/23	2022/23
	KShs	KShs
Property, plant, and equipment	-	-
Intangible assets	-	-
<b>Total impairment loss</b>	<b>-</b>	<b>-</b>

**27. Cash And Cash Equivalents**

Description	2022/23	2021/22
	KShs	KShs
Current accounts(KCB BANK-1107465605)	220	241
On - call deposits		-
Fixed deposits accounts		-
Cash in hand		-
Others( <i>specify</i> )- Mobile money		-
<b>Total cash and cash equivalents</b>	<b>220</b>	<b>241</b>

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

*Notes to the Financial Statements (Continued)*

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

Description		2022/23	2022/23
Financial institution	Account number	KShs	KShs
<b>a) Current account</b>			
Kenya Commercial bank	1107465605	220	241
Equity Bank, etc			-
<b>Sub- total</b>		<b>220</b>	<b>241</b>
<b>b) On - call deposits</b>			
Kenya Commercial bank			-
Equity Bank – etc			-
<b>Sub- total</b>			-
<b>c) Fixed deposits account</b>			
			-
<b>Sub- total</b>			-
<b>d) Others(<i>specify</i>)</b>			
cash in hand			-
Mobile money- Mpesa, Airtel money			-
<b>Sub- total</b>			-
<b>Grand total</b>		<b>220</b>	<b>241</b>

**28. Receivables From Exchange Transactions**

Description	2022/23	2022/23
	KShs	KShs
Medical services receivables	-	-
Rent receivables		-
Other exchange debtors		-
Less: impairment allowance		(-)
<b>Totalreceivables</b>	<b>-</b>	<b>-</b>

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

**29. Receivables From Non-Exchange Transactions**

Description	2022/23	2022/23
	KShs	KShs
Transfers from the County Government	-	-
Undisbursed donor funds	-	-
Other debtors ( <i>non-exchange transactions</i> )-Outstanding balance from NHIF	-	621,450
Less: impairment allowance	-	(-)
<b>Total</b>	-	<b>621,450</b>

*(Undisbursed donor funds refer to funds expected where conditions for disbursements have been met by the recipient as at the reporting date)*

**30. Inventories**

Description	2022/23	2022/23
	KShs	KShs
Pharmaceutical supplies	-	-
Maintenance supplies	-	-
Food supplies	-	-
Linen and clothing supplies	-	-
Cleaning materials supplies	-	-
General supplies	-	-
Less: provision for impairment of stocks	(-)	(-)
<b>Total</b>	-	-

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**31. Property, Plant and Equipment**

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
	Shs		Shs	Shs	Shs	Shs	Shs	Shs
<b>Cost</b>								
At 1 July 2021	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Disposals	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Transfers/adjustments	-	-	(-)	-	-	-	-	(-)
<b>At 30<sup>th</sup> June 2022</b>	-	-	-	180,000	351,112.50	-	-	531,112.50
At 1 <sup>st</sup> July 2022	-	-	-	180,000	351,112.50	-	-	<b>531,112.50</b>
Additions	-	-	-	358,000	-	-	-	<b>358,000</b>
Disposals	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Transfer/adjustments	-	-	-	-	-	-	(-)	-
<b>At 30<sup>th</sup> June 2023</b>	-	-	-	<b>538,000</b>	<b>351,112.50</b>	-	-	<b>889,112.50</b>
<b>Depreciation and impairment</b>								
At 1 July 2021	-	-	-	-	-	-	-	-
Depreciation for the year	-	-	-	-	-	-	-	-
Disposals	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Impairment	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
<b>At 30 June 2022</b>	-	-	-	<b>20,000</b>	<b>117,037.50</b>	-	-	<b>137,037.50</b>

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Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
At July 2022	-	-	-	20,000	117,037.50	-	-	<b>137,037.50</b>
Depreciation	-	-	-	53,800	87,778.13	-	-	<b>141,578.13</b>
Disposals	(-)	(-)	(-)	(-)	(-)	(-)	-	(-)
Impairment	(-)	(-)	(-)	(-)	(-)	(-)	-	(-)
Transfer/adjustment	-	-	-	-	-	-	(-)	(-)
<b>At 30<sup>th</sup> June 2023</b>	-	-	-	<b>73,800</b>	<b>204,815.63</b>	-	-	<b>278,615.63</b>
<b>Net book values</b>								
At 30 <sup>th</sup> June 2022	-	-	-	180,000	351,112.50	-	-	531,112.50
At 30 <sup>th</sup> June 2023	-	-	-	484,200	263,334.40	-	-	747,534.40

*(The office furniture and fittings are depreciated at a rate of 10% and ICT Equipment at 25% using straight line method)*

*Notes to the Financial Statements (Continued)*

**32. Intangible Assets-Software**

Description	2022/23	2022/23
	KShs	KShs
<b>Cost</b>		
<b>At beginning of the year</b>	-	-
Additions	-	-
Additions–Internal development	-	-
Disposal	(-)	(-)
<b>At end of the year</b>	-	-
<b>Amortization and impairment</b>		
<b>At beginning of the year</b>	-	-
Amortization for the period	-	-
Impairment loss	-	-
<b>At end of the year</b>	-	-
<b>NBV</b>	-	-

**33. Investment Property**

Description	2022/23	2022/23
	KShs	KShs
<b>At beginning of the year</b>	-	-
Additions	-	-
Fair value gain	-	-
Depreciation ( <i>where investment property is at cost</i> )	(-)	(-)
<b>At end of the year</b>	-	-

**34. Trade And Other Payables**

Description	2022/23	2022/23
	KShs	KShs
Trade payables	-	-
Employee dues	-	-
Third-party payments ( <i>unremitted payroll deductions</i> )	-	-
Audit fee		
Doctors' fee	-	-
<b>Total trade and other payables</b>	-	-

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**35. Refundable Deposits from Customers/Patients**

Description	2022/23	2022/23
	KShs	KShs
Medical fees paid in advance	-	-
Credit facility deposit	-	-
Rent deposits	-	-
Others ( <i>specify</i> )	-	-
<b>Total deposits</b>	-	-

**36. Provisions**

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

**37. Finance Lease Obligation**

Description	2022/23	2022/23
	Kshs	Kshs
Current Lease obligation	-	-
Long term lease obligation	-	-
<b>Total</b>	-	-

*Notes to the Financial Statements (Continued)*

**38. Deferred Income**

Description	2022/23	2022/23
	KShs	KShs
Current Portion	-	-
Non-Current Portion	-	-
<b>Total</b>	-	-

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

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

**39. Borrowings**

Description	2022/23	2022/23
	KShs	KShs
<b>Balance at beginning of the period</b>	-	-
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the year	(-)	(-)
Repayments of domestic borrowings during the year	(-)	(-)
<b>Balance at end of the period</b>	-	-

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

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

Description	2022/23	2022/23
	KShs	KShs
Current Obligation	-	-
Non-Current Obligation	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**40. Service Concession Arrangements**

Description	2022/23	2022/23
	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. Cash Generated from Operations**

Description	2022/23	2022/23
	KShs	KShs
<b>Surplus for the year before tax</b>		
<b>Adjusted for:</b>		
Depreciation	-	-
Non-cash grants received ( <i>Salaries, NonPharms, Global Fund Commodities.</i> )	-	(-)
Impairment	-	-
Gains and losses on disposal of assets	(-)	(-)
Contribution to provisions	220	241
Contribution to impairment allowance	-	-
<b>Working Capital adjustments</b>		
Increase in inventory	(-)	(-)
Increase in receivables	(-)	(-)
Increase in deferred income	-	-
Increase in payables		-
Increase in payments received in advance	-	-
<b>Net cash flow from operating activities</b>	<b>220</b>	<b>241</b>

*(The total of this statement should tie to the cash flow section on net cash flows from/ used in operations)*

*Notes to the Financial Statements (Continued)*

**42. 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:

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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	-	-	-	-
<b>Total</b>	-	-	-	-
At 30 June 2023				
Receivables from exchange transactions	-	-	-	-
Receivables from –non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	-	-	-	-

*(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)*

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 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.

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

**(iii) Market risk**

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

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

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:

	KShs	Other currencies	Total
	Kshs	Kshs	Kshs
<b>At 30 June 2023</b>			
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.

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

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

**Foreign currency sensitivity analysis**

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

	<b>Change in currency rate</b>	<b>Effect on Profit before tax</b>	<b>Effect on equity</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>2021</b>			
Euro	10%	-	-
USD	10%	-	-
<b>2022</b>			
Euro	10%	-	-
USD	10%	-	-

**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.

**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.

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

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 KShs0 (2021: KShs0). A rate increase/decrease of 5% would result in a decrease/increase in surplus of KShs0 (2022 – KShs0).

**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:

	2022/23	2022/23
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	-	-
Capital reserve	-	-
<b>Total funds</b>	-	-
Total borrowings	-	-
Less: cash and bank balances	(-)	(-)
Net debt/ ( <i>excess cash and cash equivalents</i> )	-	-
<b>Gearing</b>	%	%

**43. Related Party Balances**

**Nature of related party relationships**

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

**Government of Kenya**

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

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

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

Description	2022/23	2022/23
	Kshs	Kshs
<b>Transactions with related parties</b>		
<b>a) Services offered to related parties</b>		
Services to parties	-	-
Sales of services	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>b) Grants from the Government</b>		
Grants from County Government	112,183,046.70	118,236,032.35
Grants from the National Government Entities	1,890,921.06	9,052,415
Donations in kind		-
<b>Total</b>	<b>114,073,967.76</b>	<b>127,288,447.35</b>
<b>c) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for L/lunga Sub County Hospital employees	84,319,868.40	84,319,868.40
Payments for goods and services for L/Lunga Sub County Hospital		42,968,578.95
<b>Total</b>		<b>127,288,447.35</b>
<b>d) Key management compensation</b>		
Directors' emoluments	119,147	487,650
Compensation to the medical Sup	-	-
Compensation to key management	-	-
<b>Total</b>	<b>119,147</b>	<b>487,650</b>

*Notes to the Financial Statements (Continued)*

**44. Segment Information**

N/A

**45. Contingent Liabilities**

<b>Contingent liabilities</b>	<b>2022/23</b>	<b>2022/23</b>
	<b>Kshs</b>	<b>Kshs</b>
Court case against the company	-	-
Bank guarantees in favour of subsidiary	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**46. Capital Commitments**

<b>Capital Commitments</b>	<b>2022/23</b>	<b>2022/23</b>
	<b>Kshs</b>	<b>Kshs</b>
Authorised For	-	-
Authorised And Contracted For	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**47. Events After The Reporting Period**

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

**48. Ultimate And Holding Entity**

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

**49. Currency**

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

**XVIII. Appendices**

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

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

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

**Guidance Notes:**

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

.....

**Accounting Officer**

*(To be signed by the accounting officer of the Hospital)*

**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**

*(Summarise the status of project completion at the end of each quarter, i.e. total costs incurred, stage which the project is etc)*

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

**Lunga Lunga Sub County Hospital (Kwale County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023**

**APPENDIX IV: Inter-Entity Confirmation Letter**

*[Insert your Letterhead]*

*[Insert name of beneficiary entity]*

*[Insert Address]*

The *[insert SC/SAGA/Fund name here]* wishes to confirm the amounts disbursed to you as at 30<sup>th</sup> June 2022 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 <i>[Insert name of beneficiary entity]</i> as at 30 <sup>th</sup> June 2022							
Reference Number	Date Disbursed	Amounts Disbursed by <i>[SC/SAGA/Fund]</i> (KShs) as at 30th June 2022				Amount Received by <i>[beneficiary entity]</i> (KShs) as at 30 <sup>th</sup> June 2021 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
<b>Total</b>							

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

**Head of Accountants department of beneficiary entity:**

**Name .....** **Sign .....** **Date.....**

**APPENDIX V Reporting of Climate Relevant Expenditures**

Name of the Organization

Telephone Number

Email Address

Name of MedicalSupp/MD/Head

Name and contact details of contact person (in case of any clarifications) .....

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

**APPENDIX VI Disaster Expenditure Reporting Template**

Date:						
Entity:						
Period to which this report refers (FY)	Year			Quarter		
Name of Reporting Officer						
Contact details of the reporting officer:	Email			Telephone		
Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments