

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

**LANGALANGA SUB-COUNTY LEVEL 4
HOSPITAL**

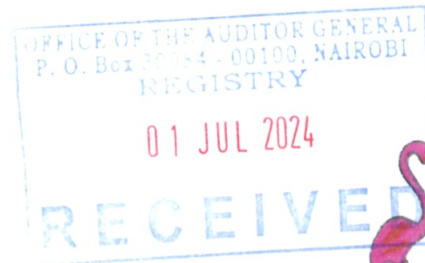
**FOR THE YEAR ENDED
30 JUNE, 2022**

COUNTY GOVERNMENT OF NAKURU

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Issued 30th June 2022



LangaLanga Sub-County Level 4 Hospital (Nakuru County Government)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2022

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

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Langalanga Subcounty Hospital (Nakuru County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

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I. Key Entity Information and Management

(a) Background information

Langalanga sub county hospital is a level (4) hospital established under gazette notice Volume .157 of 30th July 2021 and is located in Flamingo ward, Nakuru east sub-county in Nakuru County. The facility was officially opened by the late his Excellency Mzee Jomo Kenyatta CGH the first president of Kenya on 18th September 1973, being a Health Centre. It was later elevated to a level IV health facility with a catchment population of 34,000 majority being women and children. It currently offers services to the public under the county department of health services.

The facility has a current staff establishment of 56 permanent, contractual casuals, Global fund and UTJ contracted with severe under staffing across all cadres. The county government has employed majority of the technical officers and contractual staff while the facility improvement fund (FIF) remunerates casual workers and security officers. APHIA TUJENGE JAMII has employed staffs to support the HIV/AIDS control programme. The hospital is governed by a Board of Management

Principal Activities

The principal activity is to offers services to the public under the county department of health services. The hospital offers general outpatient services, comprehensive lab services, physiotherapy services, CC/TB services, FP services, MCH and maternity services under Linda Mama program of NHIF.

(b) Key Management

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

- County Department of Health
- Board of Management
- Medical Superintendent
- Head of departments

(c) Fiduciary Management

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

No.	Designation	Name
1.	Hospital Medical Superintendent	Dr. Cynthia Chebii
2.	Head of Accounting Unit	Mr. John Kaelo
3.	Hospital Administrator	Ms. Jane Ali
4.	Nursing Officer Incharge	Anne Atonga
5.	Pharmacist	Dr. Chadni Vora
6.	Hospital Accountant	Grace Kakai

No.	Designation	Name
7.	Public Health Officer	Zipporah N Benard
8.	Head of Records	Rachel Mwonge
9.	Lab Tech	Caroline Nyariki
10	Physiotherapist	Evans Kimeli

(d) Fiduciary Oversight Arrangements

-
- **Clinical Research**
- **Audit Committee -not applicable**
- **Risk Committee**
- **QIT Committee**
- **Inspection and acceptance committee**
- **Quality assurance Committee**
- Ensure smooth running of the entire facility on a day to day with timely review of clients visiting the facility for services
- Ensure they address emergencies both at the facility level and surrounding environment on a timely manner
- Ensure quality of standards are maintained in their respective departments on a daily basis.
- Ensure proper planning of commodities and are able to utilise their commodities in a responsible manner.
- Ensure proper planning in the ordering of commodities every quarter.
- Ensure daily community health talks are done to clients visiting the institution to ensure empowerment of the community serving the facility.
- Ensure team work during the quarterly budget through team engagement and planning.
- Ensure there is full utilization of the services available at the hospital level.
- Ensure appropriate human resource management protocols are observed
- Ensure the proper financial guidelines are followed and keep the management accountable over the same
- ensure financial integrity in the budgeting, procurement and utilization of products purchased using the FIF funds

Key Entity Information and Management (continued)

(e) Entity Headquarters

P.O. Box 124 - 020100
Flamingo Ward
Kanu Street - Nakuru
NAKURU, KENYA

(f) Entity Contacts

Langa Langa Sub County Hospital
Telephone: (+254) 711476293
E-mail: langalangashospital@gmail.com
Website: www.nakuru.go.ke

(g) Entity Bankers

Co-operative Bank of Kenya
Nakuru West Branch
Nakuru.

(h) Independent Auditors

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



(i) Principal Legal Adviser



The Attorney General
State Law Office
Nakuru County Government
P.O. Box 2780- 00200
Nakuru, Kenya



(K) County Attorney

County Government Of Nakuru
P.O. Box. 2780
Nakuru, Kenya





II. The Board of Management




Ref	Directors	Details
1.	 Martha Chesang – Board Chair	53years old with academic qualifications of ‘O’ level, certificate in early childhood education working as an ECDE teacher. She is the boar chair and She also serves as a member of the Finance and development committee
2.	 Fred Witaba – Vice Chair	Age: 57 Years with a bachelor of Business Administration and Management working as a Business Man. He also serves as the Chair of the Development Committee
3.	Ruth Cheptarus – Member	55 years old with ‘O’ level qualifications working as a Business lady having served as a Member Development Committee. Resigned from being a member of the board to indertake other assignments
4.	Kenneth Mburu - Member	30 years old with ‘O’ level qualifications working as a Business Man and served as a Member Finance Committee- Youth Leader He however, did not fully comply with providing all the details required



5	 <p>Khadija Shaban- Member</p>	<p>50 years old with qualifications in Diploma in Social Community working as a Business Lady and also serving as the Chair of the Finance Sub Committee.</p>
6	 <p>Ezekiel Omboti – Member</p>	<p>66 years old with qualifications in East Africa Certificate. He is a retired Senior Chief working and is Member of the Finance Sub Committee</p>
7.	 <p>Alex Thuita – Member</p>	<p>40years old with ‘O’ level qualifications working as a Business Man working also as a Member of the Finance Sub Committee</p>

8.	 <p>Kezziah Akinyi Okumu</p>	50 years old with a Diploma in Community Health working as a Politician/business woman serving as a Member of the Development Sub Committee
9.	 <p>Cynthia Chebii – Secretary</p>	46 years old with a Msc. In Human Anatomy (On-going), Bsc. Clinical Medicine and community Health and a Diploma in Clinical Medicine and Surgery

III. Management Team

Ref	Management	Details
1.	 Cynthia Chebii – Facility In-charge	<p>MSc. In Human Anatomy (On-going) with BSc. Clinical Medicine and community Health and Diploma in Clinical Medicine and Surgery. She is the overall incharge of the hospital and supervises all the staffs under her</p>
2.	 Jane Ali – Hospital Administrator	<p>MBA Strategic Management – On-going with Bachelor of Commerce- Finance and Diploma in business management with 13 years of work experience. She is the hospital administrator.</p>
3.	 Anne Atonga – Nursing officer In-charge	<p>Bachelor of science in Nursing and Diploma in Nursing with 18 years experience in Community Health. She is the nursing officer and supervises the whole nursing department.</p>
4.	 Dr. Vora Chadni – Pharmacy in-charge	<p>Bachelor degree in Pharmacy with 10 years working experience. she represents the member of pharmaceutical profession in the Hmt.</p>

5.	 <p>Caroline Nyariki – MLT</p>	<p>Diploma in Laboratory Technology with 14 years of working experience. She represents the the Laboratory technicality in the hospital management team</p>
6.	 <p>Grace Kakai – Hospital Accountant</p>	<p>Bachelor of commerce – Accounting option CPA with 6 years of experience in Finance field. She represents the finance in the hospital management team</p>
7.	 <p>Zipporah Nyamoita Benard</p>	<p>She is 50years old and holds a Diploma in environmental health sciences. she is the public health officer and oversees the entire health in the hospital</p>

8.	 Evans Kimeli - Physiotherapist	He holds a Diploma in physiotherapy with 6 years' experience in the field .He is the head of physiotherapy department.
9.	 Rachel Mwonge – Health Records and information management officer	She represents the entire health record in the Hmt she holds a Diploma in Health Records with 6 Years experience in health records

V. Report of The Chief Executive Officer

I am pleased to present the Hospital's annual report and financial statements for the year 2021/2022. The report highlights the hospital's operational and financial performance as well as our strategic direction. The hospital provides specialized healthcare services. To meet our patients' needs, we have specialists in all disciplines of medical practice who ensure our customers receive safe, timely, equitable, efficient, effective and patient-centred services. In 2021/2022 the hospital attended to 301,521 patients. This was an increase of 2% attendance in comparison to the previous financial year.

The facility has mainly depended on Facility Improvement Fund. NHIF is yet to fully reimburse Linda mama claims for the FY 2021/22. During the FY 2021/22 the facility collected a total of Kshs 9,308,054 out of which 2% relate to Linda mama claims reimbursement.

Centres of excellence

The hospital established centres of excellence in the following areas: Physiotherapy, x ray services and outpatient procedure Services. The centres of excellence will also provide one stop services for the increasing cases of diseases referred.

Embracing Technology to Advance Patient Care

The use of ICT is a priority for Langa Langa Hospital as reflected in Kenya's ICT Master Plan and need to automate systems to enhance efficiency in services delivery. Towards this, the hospital carried out a business re engineering with the view of aligning all hospital processes in readiness for automation. This process culminated in the development of specifications for robust hospital information management system and corresponding enterprise resource planning (ERP) systems. In view of the above, Langa Langa Hospital embarked on installation of elephant system solution for efficient service delivery. The system was user friendly but not cost effective as the cost of maintenance was not sustainable. The hospital also embarked on fast tracking of the EMR system which is now being installed and the reception of the same is positive to the financial development.

Effective Communication

Langa Langa Hospital is putting great emphasis on improvement of communication with our patients, their families and other stakeholders in an effective and timely manner. To this end, we have continued to train our employees on customer care and effective communication while upholding the highest standards of care. We have strengthened customer care services and process improvement with a view to enhance patients-care giver engagement.

Financial Review.

In order to meet the cost of operations and maintenance, the hospital relies on internally generated revenue, the largest component being cost sharing revenue. During the year under review, the hospital generated Kshs. 9,308,054 against a target of Kshs. 11,500,000. This is a growth of 4% over and above the previous year's internally generated revenue. Despite the growth in revenue, the Hospital recorded a deficit of Kshs. 5,100,000 in the year under review. The performance deficit is attributed to increase in medical costs and non-pharmaceuticals. During the year under review, the outstanding NHIF debt increased as the hospital embarked on the provision of services using the National hospital insurance fund for which the hospital

VI. Statement of Performance Against Predetermined Objectives

Langa Langa develops its annual work plans based on the above mentioned pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The hospital achieved its performance targets set for the FY 2021/2022 period for its strategic pillars, as indicated in the diagram below: *Langa langa Sub County Hospital* has five strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2021- FY 2022. These strategic pillars/ themes/ issues are as follows:

1. Clinical services
2. Health care financing
3. Infrastructure development
4. Leadership and governance
5. Health information

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

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Clinical services	<ul style="list-style-type: none"> • To enhance quality of clinical services 	<ul style="list-style-type: none"> • No stock outs of HPT • Increase uptake of maternity services 	<ul style="list-style-type: none"> • Timely procurement of commodities. • Reduce referrals 	<ul style="list-style-type: none"> • Efficient services • High number of delivers conducted at the facility
Pillar/ theme/ issue 1: health care financing	To increase revenue generation	<ul style="list-style-type: none"> • Revenue reports 	<ul style="list-style-type: none"> • Expand service menu 	<ul style="list-style-type: none"> • Increased revenue generation

	Empower staffs on prudent financial management	<ul style="list-style-type: none"> • % Increase in revenue • Empower departmental in charges on financial management • Strengthen use financial and procurement policies 	<ul style="list-style-type: none"> • Review user fee charges • Regular training and capacity building • Support supervision and audit reports 	<ul style="list-style-type: none"> • User fee committee for continuous review • Available procurement and financial management SOPs and guidelines. • Sealed revenue leakages.
Leadership and governance	Enhance leadership and governance capacity	<ul style="list-style-type: none"> • Constitute service delivery committees • Hold quarterly management meetings • Manage HRM 	<ul style="list-style-type: none"> • Service delivery committee minutes. • Quarterly HMT and board meeting minutes. • Monthly HRM returns 	<ul style="list-style-type: none"> • Effective service delivery. • Good governance of the facility. • Human resource reports.

			to county.	
Health information	Strengthen and manage health information	<ul style="list-style-type: none"> • ICT system maintenance register 	<ul style="list-style-type: none"> • Regular maintenance of ICT to ensure functionality 	<ul style="list-style-type: none"> • Routine maintenance and upgrading of the system.
Infrastructure development	<ul style="list-style-type: none"> • To open ultrasound department 	<ul style="list-style-type: none"> • ultrasound machine 	<ul style="list-style-type: none"> • Expand scope of services at ANC 	<ul style="list-style-type: none"> • Fully functional ultrasound department

VII. Corporate Governance Statement

Introduction

The hospital holds meetings once per quarter which translates to four meetings per financial year. All members are obligated to attend meetings. Any member who misses two consecutive meetings can be removed from the office. Members of the board committee are appointed at the ward level through ballot election. The committee term in the office is 3 years and can be renewed through performance appraisal. The board committee cannot hold office for 3 terms.

Number of Board meetings held and their attendance to those meetings by members, Succession plan, existence of a board charter, process of appointment, removal of board member, rules and function, induction training and members performance, conflict of interest, remuneration, ethics and conduct as well as governance audit. Commitment to good corporate governance is fundamental in ensuring sustainable stakeholder value and meeting their expectations. Our structures, procedures and processes are anchored on accountability, transparency, responsibility and fairness which are the tenets of good corporate governance. Through the Board of Management, Langa Langa Sub County Hospital remains steadfast in complying with statutory requirements and the Code of Governance for State Corporations. Among others.

The roles and responsibilities of the Board as set out in the Board Charter include:

- i) Establishing the Hospital's strategic direction and priorities, and adopting business plans proposed by management for the achievement of the strategic objectives
- ii) Monitoring and evaluating the implementation of strategies, policies, management performance criteria and business plans.

- iii) Providing oversight in financial reporting to the Government and communication to stakeholders.
- iv) Ensuring availability of adequate resources for the achievement of the Hospital's objectives.
- vii) Overseeing business affairs of the Hospital in light of emerging risks and opportunities.
- ix) Approving annual budgets.

The Board provides oversight to Management and ensures that staff operates within the Code of Conduct and Ethics, Leadership Integrity Act, and the "Mwongozo" Code of Governance for State Corporations.

VIII. Management Discussion and Analysis

Clinical Performance

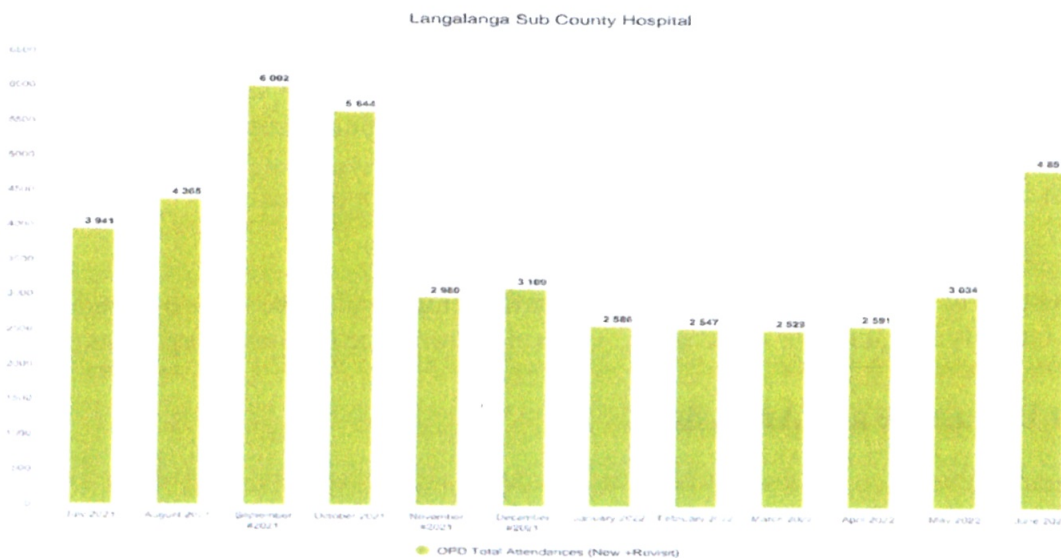
Langa Langa has a bed capacity of 32. The average patient attendance for the year 2021/2022 was 329,000 outpatients and 10 in-patients

Langa Langa Sub County Hospital continues to provide a wide range of highly specialized healthcare services to Kenyans, especially in flamingo ward, kivumbini ward the entire Nakuru town east and part of Nakuru west Counties. Services include, MCH, outpatient, physiotherapy, maternity other services. The hospital also provides clinical support services that include, laboratory, pharmacy and x ray services. The hospital strives to ensure that the clinical services provided are safe, timely, appropriate, innovative, effective, evidence-based and in line with modern technological advances. Clinical governance continues to be strengthened to improve patient safety and ensure quality healthcare. The hospital patient attendance continues to increase despite the many challenges i.e. budgetary constraints and frequent industrial actions as well as political arena challenges.

Overall patient attendance

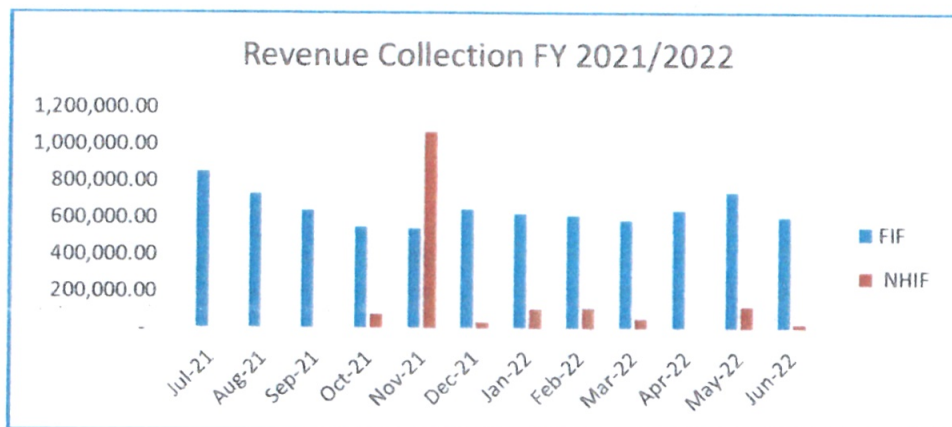
The average patient attendance for the year 2021/2022 was 329,000 outpatients and 10 in-patients. The Hospital's patient attendance analysis over the last five years is as depicted in the chart below.

**Langalanga Subcounty Hospital (Nakuru County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022**



Financial performance

The Hospital revenue comprises of fee charged for services rendered, public contributions and in kind donations. The sources of revenue for the year under review and the trend over the last five years are as depicted in the charts below Sources of revenue, revenue trend, utilization rates expenditure trend.



Key Hospital Projects

Ultra Sound Machine

The hospital undertook the installation of Ultra Sound machine to improve maternity and ANC Services.

Challenges

The hospital is faced with numerous challenges in fulfilling its mandate;

i. Automation

In a bid to ensure that Langa Langa Sub County Hospital provides efficient and effective services as well as provide the desired platform for clinical linkages, with other hospital departments, a business process

re-engineering should be carried out so that development of specifications aimed at delivering a robust ICT platform for ease of patient flow. The hospital is semi -automated and it may be difficult to curb all leakages that come by.

ii. Underprivileged and Indigents medical bills

Most of the patients treated at Langa Langa Sub County Hospital are either from the slum areas of flamingo area and the neighbourhood Rhonda area. Upon clinical discharge, some are unable to settle medical bills. The hospital is left with less consumables and hence financial constraints when the budgeted commodities are consumed within less time.


.....
Cynthia chebiiSign.....

Secretary to the Board

IX. Environmental and Sustainability Reporting

Langa Langa Sub County Hospital seeks to impact people's lives through its Corporate Social Responsibility (CSR) initiatives.

The initiatives are aimed at improving lives and enhance engagement with the public. Central to this philosophy is the commitment to enhance the quality of life of people from marginalised and vulnerable

communities, by empowering them and catalysing change through creating awareness on diseases and available interventions. The services provided are MCH talks, psychiatric trainings in schools and other educational institutions and outreaches.

X. Report of The Board of Management

The Board members submit their report together with the Audited Financial Statements for the year ended June 30, 2022, which show the state of the *hospital's* affairs.

Principal activities

The principal activities of the entity are is to optimize patient experience through innovative, evidence based specialized health care, facilitate training and research, and participate in national health policy formulation.

Results

The results of the entity for the year ended June 30 2022 are set out on pages 1.... to8

Board of Management

The members of the Board who served during the year are shown on page ix. During the year, one director(s) retired/ resigned.

Auditors

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

By Order of the Board


Cynthia Chebii

Secretary to the Board

X. Statement of Board of Management’s Responsibilities

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

The Board of Management is responsible for the preparation and presentation of Langa Langa Sub County hospital financial statements, which give a true and fair view of the state of affairs of Langa Langa Sub County Hospital as at the end of the financial year (period) ended on June 30, 2022. This responsibility includes:

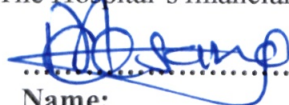
- (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period,
- (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity,
- (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud,
- (iv) safeguarding the assets of the Hospital;
- (v) selecting and applying appropriate accounting policies, and
- (vi) making accounting estimates that are reasonable in the circumstances.

The Board of Management accepts responsibility for Langa Langa 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. The Board members are of the opinion that Langa Langa Sub County hospital financial statements give a true and fair view of the state of Hospitals transactions during the financial year ended June 30, 2022, and of Langa Langa Sub County hospital financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the Langa Langa Sub County hospital, which have been relied upon in the preparation of the Hospitals financial statements as well as the adequacy of the systems of internal financial control.


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

Approval of the financial statements

The Hospital’s financial statements were approved by the Board on 5/9/2022 and signed on its behalf of



Name:
Chairperson
Board of Management

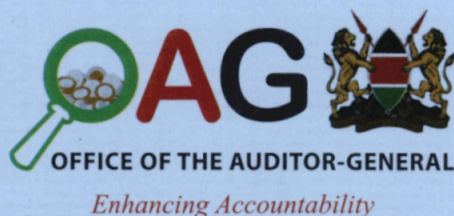


NAME: _____
Accounting Officer

COUNTY DEPARTMENT OF HEALTH
LANGALANGA SUB-COUNTY HOSPITAL
CLINICAL OFFICE IN CHARGE

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON LANGALANGA SUB-COUNTY LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2022 – COUNTY GOVERNMENT OF NAKURU

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of LangaLanga Sub-County Level 4 Hospital - County Government of Nakuru set out on pages 1 to 39, which comprise the

statement of financial position as at 30 June, 2022 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 LangaLanga Level 4 Hospital - County Government of Nakuru as at 30 June, 2022 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Health Act, 2017, the County Governments Act, 2012 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Variances in Receivables from Exchange Transactions

The statement of financial position reflects a balance of Kshs.2,476,850 in respect to receivables from exchange transactions as disclosed in Note 13 to the financial statements. The balance relates to dues from the National Health Insurance Fund (NHIF) whose records indicates an amount of Kshs.22,748 resulting to an unexplained variance of Kshs.2,454,102. In addition, the balance has been outstanding for between one (1) and five (5) years while the contract between the Hospital and NHIF indicates the period to pay genuine claims is within 30 days of submission.

In the circumstances, the accuracy, completeness and recoverability of the receivables from exchange transactions balance of Kshs.2,476,850 could not be confirmed.

2. Non-Disclosure of Donated Drugs

The statement of financial performance reflects a nil amount on grants from donors and development partners as reported in the financial statements. However, distribution data from Kenya Medical Supplies Authority (KEMSA) revealed that the Hospital received donations and program commodities drugs amounting to Kshs.9,250,027 and Universal Health Coverage of Kshs.251,130 but were not disclosed in the financial statements.

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

3. Non-Disclosure of Property, Plant and Equipment Balance

The statement of financial position reflects Nil property, plant and equipment balance and as disclosed in Note 15 to the financial statements. However, review of records and physical inspection revealed that the Hospital has movable and immovable assets of undetermined value which were not disclosed in the financial statements.

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

4. Non-Disclosure of Inventory Balance

The statement of financial position reflects Nil inventory balance as disclosed in Note 14 to the financial statements. However, review of records and physical inspection of the stores revealed that the Hospital had medical supplies of undetermined value which were not disclosed in the financial statements.

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

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Failure to Transfer Revenue to the County Revenue Fund Account

The statement of financial performance reflects rendering services- medical services income of Kshs.9,372,581 as disclosed in Note 6 to the financial statements. However, the amount was not transferred to the County Revenue Fund Account for approval by the Controller of Budget before withdrawal. This was contrary to Regulation 81 (1-3) of Public Finance and Management (County Governments) Regulations 2015 which states that a receiver of revenue shall promptly deposit into the County exchequer account all receipts due to the County Revenue Fund.

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

2. Lack of Quarterly Revenue Reports

The statement of financial performance reflects Kshs.9,372,581 in relation to the rendering of services -medical income as disclosed in Note 6 to the financial statements. However, there was no evidence to show that quarterly reports were prepared and submitted to the County treasury with a copy to the Auditor General. This was contrary to Regulations 64(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer or receiver of revenue or collector of revenue to prepare a quarterly report not later than the 15th day after the end of the quarter.

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

3. Irregular Engagement of Casual Workers

The statement of financial performance reflects employee costs amounting to Kshs.1,435,914 as disclosed in Note 8 to the financial statements. The amount includes Kshs.1,165,914 paid as wages to casual workers engaged by the Hospital for more than three months. This was contrary to Section 37 of the Employment Act, 2007 which states that a casual employee should be converted to a term contract where a casual employee works for a period or a number of continuous working days which amount in the aggregate to the equivalent of not less than one month.

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

4. Non-compliance with Kenya Quality Model for Health Policy Guidelines

Review of Hospital records and interviews on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits by eighty-eight (88) or 87% of the authorized staff requirements as detailed below:-

Staff Requirements	Level 4 standard	Number in Hospital	Variance	% Percentage
Medical officers	16	1	15	94
Anaesthesiologists	2	0	2	100
General surgeons	2	0	2	100
Gynaecologists	2	0	2	100
Paediatrics	2	0	2	100
Radiologists	2	0	2	100
Kenya Registered Community Health Nurses	75	12	63	84
Total	101	13	88	87

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

Service	Level 4 Hospital Standard	Actuals in the Hospital	Variance	Percentage
Beds	150	32	118	79
Resuscitative (2 in lab or & 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
TOTAL	181	32	149	82

Further, the Hospital did not have surgical, pediatric, gynecological, radiology, renal dialysis, laboratory and mortuary services required to be offered in a level 4 hospital.

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

In the circumstances, the understaffing and inadequate hospital equipment may negatively have impacted on service delivery to the public.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis of Conclusion

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls 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 the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to 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 the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

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



FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

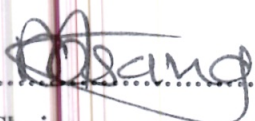
05 July, 2024

Langalanga Subcounty Hospital (Nakuru County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

XII Statement of Financial Performance for The Year Ended 30 June 2022

Description	Note	Current FY 2021/22
		Kshs
Revenue from non-exchange transactions		
In- kind contributions from the County Government	5	1,200,000.00
		1,200,000.00
Revenue from exchange transactions		
Rendering of services- Medical Service Income	6	9,372,581
Revenue from exchange transactions		9,372,581
Total revenue		10,572,581
Expenses		
Medical/Clinical costs	7	2,988,385
Employee costs	8	1,435,914
Board of Management Expenses	9	738,000
Repairs and maintenance	10	934,160
General expenses	11	1,691,735
Total expenses		7,788,194
Net Surplus / (Deficit) for the year		2,784,387

The Hospital's financial statements were approved by the Board on 5/9/2022 and signed on its behalf by:



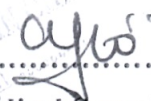
Chairman

Board of Management



Head of Finance

ICPAK No:



Medical Superintendent

*Langalanga Subcounty Hospital (Nakuru County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022*

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

Description	Note	Current FY 2021/22
		Kshs
Assets		
Current assets		
Cash and cash equivalents	12	2,116,589
Receivables from exchange transactions	13	2,476,850
Inventories	14	0
Total Current Assets		4,593,439
Non-current assets		
Property, plant, and equipment	15	0
Total Non-current Assets		0
Total assets		4,593,439
Liabilities		
Current liabilities		
Trade and other payables		0
Total Current Liabilities		0
Net assets		
Revaluation reserve		0
Accumulated surplus/Deficit		2,784,387
Capital Fund		1,809,052
Net Asset		4,593,439
Total Net Assets and Liabilities		4,593,439

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

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

.....
Chairman
Board of Management

d 729
.....
Head of Finance
ICPAK No:


.....
Medical Superintendent

Langalanga Subcounty Hospital (Nakuru County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022


XIV. Statement of Changes in Net Asset for The Year Ended 30 June 2022

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2020	xxx	xxx	xxx	xxx
Revaluation gain	xxx	-	-	xxx
Surplus/(deficit) for the year	-	xxx	-	xxx
Capital/Development grants	-	-	xxx	xxx
As at June 30, 2020	xxx	xxx	xxx	xxx
At July 1, 2021	xxx	xxx	xxx	xxx
Revaluation gain	0	-	-	0
Surplus/(deficit) for the year	-	2,784,387	-	2,784,387
Capital/Development grants	-	-	1,809,052	1,809,052
At June 30, 2022	xxx	2,784,387	1,809,052	4,593,439

The Hospital's financial statements were approved by the Board on 5/9/2022 and signed on its behalf by:



Chairman
Board of Management



Head of Finance
ICPAK No:

724


Medical Superintendent

Stamp: COUNTY GOVERNMENT OF NAKURU LANGALANGA SUBCOUNTY HOSPITAL CLINICAL SUPERVISOR IN CHARGE

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

Description	Note	FY 2021/22
		Kshs
Cash flows from operating activities		
Receipts		
Rendering of services- Medical Service Income	6	10,572,581
Total Receipts		10,572,581
Payments		
Medical/Clinical costs	7	2,988,385
Employee costs	8	1,435,914
Board of Management Expenses	9	738,000
Repairs and maintenance	10	934,160
General expenses	11	1,691,735
Total Payments		7,788,194
Net cash flows from operating activities	14	2,784,387
Cash flows from investing activities		0
Purchase of property, plant, equipment & intangible assets		
Cash flows from financing activities		0
Net cash flows used in financing activities (capital fund)		0
Net increase/(decrease) in cash and cash equivalents		0.00
Cash and cash equivalents as at 1 July	14	0
Cash and cash equivalents as at 30 June		0.00

The Hospital's financial statements were approved by the Board on 5/9/2022 and signed on its behalf by:

.....
Chairman
Board of Management

.....
Head of Finance
ICPA K No:


.....
Medical Superintendent
Sign.....

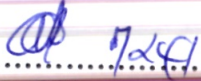
XVI. Statement Of Comparison of Budget and Actual Amounts For The Year Ended 30 June 2022


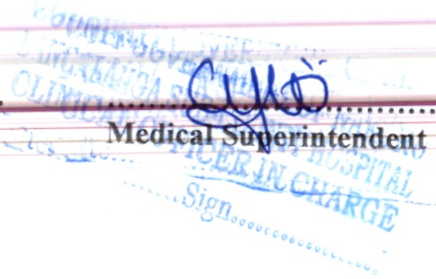
Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Rendering of services- Medical Service Income	9,372,581	0	9,372,581	9,372,581	0	100%
Total income	9,372,581	0	9,372,581	9,372,581	0	100%
Expenses		0			0	
Medical/Clinical costs	2,988,385	0	2,988,385	2,988,385	0	100%
Employee costs	1,435,914	0	1,435,914	1,463,914	0	100%
Remuneration of directors	738,000.00	0	738,000.00	738,000.00	0	100%
Repairs and maintenance	934,160	0	934,160	934,100	0	100%
General expenses	1,691,735	0	1,691,735	1,691,735	0	100%
Surplus for the period	2,784,387	0	2,784,387	2,784,387	0	100%
Capital expenditure						100%

Budget notes

1. Provide an explanation of differences between actual and budgeted amounts (any over/ 90% under) IPSAS 24.14
2. Provide an explanation of changes between the original and final budget indicating whether the difference is due to re-allocations or other causes. (IPSAS 24.29)
3. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual) provide a reconciliation.)


.....
Chairman
Board of Management


.....
Head of Finance
ICPAK No:


.....
Medical Superintendent
ICPAK No:

Sign

XVII. Notes To the Financial Statements

1. General Information

Langalanga Sub county Hospital is established by and derives its authority and accountability from public finance management Act. The entity is wholly owned by the Nakuru County Government and is domiciled in Nakuru County in Kenya. The entity's principal activity to provide integrated health care for all.

2. Statement Of Compliance And Basis Of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *accrual* 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 1-26. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *entity*. The financial statements have been prepared in accordance with the PFM Act, and (*include any other applicable legislation*), and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

Adoption of New and Revised Standards

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

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

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

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

iii) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year or *the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity's financial statements.)*

Notes to the Financial Statements (Continued)

3. Summary Of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

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

Revenue from exchange transactions

Rendering of services

Rendering of services

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

Sale of goods

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

Interest income

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

Rental income

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

Notes to the Financial Statements (Continued)

b) Budget information

The original budget for FY 7,200,000 was approved by Board on . 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 2021/2022 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 actual as per the statement of financial performance has been presented on page xxx under section xxx 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 payable 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 payable 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

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (amend as appropriate).*

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

Financial assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model

Notes to the Financial Statements (Continued)

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

Subsequent measurement

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

Amortized cost

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

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

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value

Notes to the Financial Statements (Continued)

through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Financial liabilities

Classification

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

Notes to the Financial Statements (Continued)

j) Inventories

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

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

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

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

k) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

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

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 authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

s) Comparative figures

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

t) Subsequent events

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

4. 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).

Notes to the Financial Statements (Continued)

5. In Kind Contributions from The County Government

Description	FY 2021/2022
	KShs
Medical supplies-Drawings Rights (KEMSA)	1,200,000
Total grants in kind	1,200,000

(These include payments made directly by the County Governments for staff salaries and medical drugs. These should be recorded both as income and expense for completeness of financial statements)

6. Rendering of Services-Medical Service Income

Description	FY 2021/2022
	Kshs
Pharmaceuticals	4,248,680.00
Non-Pharmaceuticals	2,300,400.00
Laboratory	2,823,501.00
Total revenue from the rendering of services	9,372,581

(Other medical services fee relates to other charges not listed above and should be specified)

7. Medical/ Clinical Costs

Description	FY 2021/22
	Kshs
Laboratory chemicals and reagents	817,033
Food and Ration	151,118
Uniform, clothing, and linen	20,000
Dressing and Non-Pharmaceuticals	1,064,135
Pharmaceutical supplies	691,999
Health Information Stationery	244,100
Total medical/ clinical costs	2,988,385

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

Notes to the Financial Statements (Continued)

8. Employee Costs

Description	FY 2021/22
	Kshs
Casual employees	1,165,914
Contracted employees (security)	270,000
Employee costs	1,435,914

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

9. Board of Management Expenses

Description	FY 2021/22
	Kshs
Chairman's Honoraria	0
Sitting allowance	738,000.00
Total	738,000.00

10. Repairs And Maintenance

Description	FY 2021/22
	Kshs
Property- Buildings	514,900.00
Medical equipment	9,700.00
Office equipment	72,760
Computers and accessories	72,800.00
Maintenance of civil works	264,000.00
Total repairs and maintenance	934,160

Notes to the Financial Statements (Continued)

11. General Expenses

Description	2021/22
	Kshs
Catering expenses	243,120.00
Bank charges	5,640
Electricity expenses	120,000
Fuel and Lubricants	251,145
Travel and accommodation allowance	19,800.00
Printing and stationery	195,940
Sanitary and cleansing	442,990
Water and sewerage costs	71,500
Telephone and mobile phone services	141,600.00
Internet expenses	200,000
Total General Expenses	1,691,735

12. Cash And Cash Equivalents

Description	2021/22
	KShs
Current accounts	2,116,589
Total cash and cash equivalents	2,116,589

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

Notes to the Financial Statements (Continued)

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

Description		2021/2022
Financial institution	Account number	KShs
a) Current account		
Co-operative Bank		2,116,589
Sub- total		2,116,589
Grand total		2,116,589

13. Receivables From Exchange Transactions

Description	2021/22
	KShs
Medical services receivables	2,476,850
Total receivables	2,476,850

14. Inventories

Description	2021/22
	KShs
Pharmaceutical supplies	0
Maintenance supplies	0
Food supplies	0
Linen and clothing supplies	0
Cleaning materials supplies	0
General supplies	0
Less: provision for impairment of stocks	0
Total	0

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Notes to the Financial Statements (Continued)

15. 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
Cost								
At 1 July 2020	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Additions	xxx	xxx	xxx	xxx	-	-	xxx	xxx
Disposals	(xx x)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xx x)
Transfers/adjustments	xxx	xxx	(xxx)	xxx			xxx	(xx x)
At 30th June 2021	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
At 1 st July 2021	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Additions	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Disposals	(xx x)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xx x)
Transfer/adjustments		xxx		xxx			(xxx)	-
At 30th June 2022	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Depreciation and impairment								
At 1 July 2020	xxx	xxx	xxx	xxx	xxx	xxx		xxx
Depreciation for the year	xxx	xxx	xxx	xxx	xxx	xxx		xxx

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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
Disposals	(xx x)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)		(xx x)
Impairment	(xx x)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)		(xx x)
At 30 June 2021	xxx	xxx	xxx	xxx	xxx	xxx		xxx
At July 2021	xxx	xxx	xxx	xxx	xxx	xxx		xxx
Depreciation	xxx	xxx	xxx	xxx	xxx	xxx		xxx
Disposals	(xx x)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)		(xx x)
Impairment	(xx x)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)		(xx x)
Transfer/adjustment		xxx	-	xxx	-	-	(xxx)	(xx x)
At 30th June 2022	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Net book values								
At 30 th June 2021	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
At 30 th June 2022	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx

Notes to the Financial Statements (Continued)

16. Cash Generated from Operations

Description	FY 2021/2022
	KShs
Surplus for the year before tax	2,784,387
Adjusted for:	
Working Capital adjustments	
Increase in payable	0
Net cash flow from operating activities	2,784,387

(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)

17. Financial Risk Management

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

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

(i) Credit risk

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2020				
Receivables from exchange transactions	0.00	0.00	0.00	0.00
Receivables from –non-exchange transactions	0.00	0.00	0.00	0.00
Bank balances	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00
At 30 June 2022				
Receivables from exchange transactions	2,476,850	0.00	0.00	0.00
Receivables from –non-exchange transactions	0.00	0.00	0.00	0.00
Bank balances	2,116,589	0.00	0.00	0.00
Total	4,593,439	0.00	0.00	0.00

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

Notes to the Financial Statements (Continued)

The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has significant concentration of credit risk on amounts due from xxxx

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.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2022				
Trade payables	0.00	0.00	0.00	0.00
Current portion of borrowings	0.00	0.00	0.00	0.00
Provisions	0.00	0.00	0.00	0.00
Deferred income	0.00	0.00	0.00	0.00
Employee benefit obligation	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00
At 30 June 2022				
Trade payables	0.00	0.00	0.00	0.00
Current portion of borrowings	0.00	0.00	0.00	0.00
Provisions	0.00	0.00	0.00	0.00
Deferred income	0.00	0.00	0.00	0.00
Employee benefit obligation	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00

Notes to the Financial Statements (Continued)

(iii) Market risk

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

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

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Notes to the Financial Statements (Continued)

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
At 30 June 2022			
Financial assets (investments, cash, debtors)	0.00	0.00	0.00
Liabilities			
Trade and other payables	0.00	0.00	0.00
Borrowings	0.00	0.00	0.00
Net foreign currency asset/(liability)	0.00	0.00	0.00

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
At 30 June 2022			
Financial assets (investments, cash, debtors)	0.00	0.00	0.00
Liabilities			
Trade and other payables	0.00	0.00	0.00
Borrowings	0.00	0.00	0.00
Net foreign currency asset/(liability)	0.00	0.00	0.00

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.

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
20xx			
Euro	10%	0.00	0.00
USD	10%	0.00	0.00
20xx			
Euro	10%	0.00	0.00
USD	10%	0.00	0.00

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.

iv) Capital Risk Management

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

	2021/22	2020/21
	Kshs	Kshs
Revaluation reserve	0.00	0.00
Retained earnings	0.00	0.00
Capital reserve	0.00	0.00
Total funds	0.00	0.00
Total borrowings	0.00	0.00
Less: cash and bank balances	(0.00)	(0.00)
Net debt/ (<i>excess cash and cash equivalents</i>)	0.00	0.00
Gearing	0.00%	0.00%

18. 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	2021/22	2020/21
	Kshs	Kshs
Transactions with related parties		
a) Services offered to related parties		
Services to xxx	0.00	0.00
Sales of services to xxx	0.00	0.00
Total	0.00	0.00
b) Grants from the Government		
Grants from County Government	0.00	0.00
Grants from the National Government Entities	0.00	0.00
Donations in kind	0.00	0.00
Total	0.00	0.00
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees	0.00	0.00
Payments for goods and services for xxx	0.00	0.00
Total	0.00	0.00
d) Key management compensation		
Directors' emoluments	0.00	0.00
Compensation to the medical Sup	0.00	0.00
Compensation to key management	0.00	0.00
Total	0.00	0.00

Notes to the Financial Statements (Continued)

19. Events After The Reporting Period

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

20. 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.

21. 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.

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

Guidance Notes:

- (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.

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Accounting Officer
(To be signed by the accounting officer of the Hospital)
LANGALANGA SUB-COUNTY HOSPITAL
CLINICAL OFFICER IN CHARGE
 Date..... Sign.....