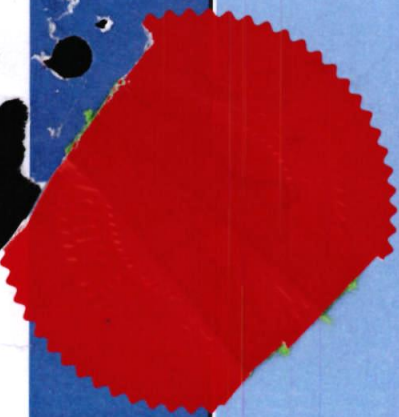


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REPORT

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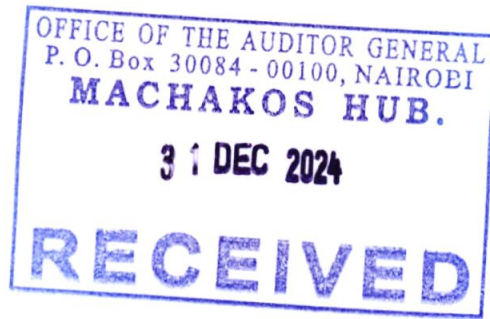
THE AUDITOR-GENERAL

ON

KALAMA LEVEL 4 HOSPITAL

**FOR THE YEAR ENDED
30 JUNE, 2024**

COUNTY GOVERNMENT OF MACHAKOS



KALAMA LEVEL 4 HOSPITAL (Machakos County Government)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2024

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

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1. Acronyms & Glossary of Terms

| | |
|----------------------|---|
| CSR | Corporate Social Responsibility |
| OSHA | Occupational Health & Safety Act |
| PFMA | Public Financial Management Act |
| MED SUP | Medical Superintendent |
| HMT | Hospital Management Team |
| NSM | Nursing Services Manager |
| HAO | Hospital Administrative Officer |
| CRF | County Revenue Fund |
| IPSAS | International Public Sector Accounting Standards |
| Fiduciary Management | Key management personnel who have financial responsibility in the entity. |

2. Key Entity Information and Management

(a) Background information

Kalama Level 4 Hospital is a level 4 hospital established under gazette notice number 7269 and is domiciled in Machakos County under the Health Department. The hospital is governed by Management team appointed by the department.

(b) Principal Activities

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

The Following are the key Objectives of the Hospital:

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

(c) Key Management

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

- County Department of Health
- Accounting Officer/ Medical Superintendent
- Health Management Team (HMT)

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2024 and who had direct fiduciary responsibility were:

| No. | Designation | Name |
|-----|-------------------------------|-------------------|
| 1. | Medical Superintendent | Mr. Joel Mutuku |
| 2. | Health Administration Officer | Nickson Keli |
| 3. | Head of Finance | Eric Milo |
| 4. | Accountant – Reporting | Grace Musyoki |
| 5. | Nursing Services Manager | Mr. Johan Mulinge |

(e) Fiduciary Oversight Arrangements

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

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

(f) Entity Headquarters

P.O. Box 1191-90102
Kalama Level 4
Kalama Market
MACHAKOS, KENYA

(g) Entity Contacts

Telephone: (254)701-948-691
E-mail: kalamalevel4@gmail.com

(h) Entity Bankers

Kenya Commercial Bank

(i) Independent Auditors

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

(j) Principal Legal Adviser



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

- (k) **County Attorney**
Machakos County Legal Office
P.O. Box. 1996,
Machakos, Kenya



3. The Board of Management

There was no Board of Directors in Kalama Level (4) Hospital.

4. Key Management Team

| Ref | Management | Details |
|-----|---|---|
| 1. |  <p>Joel Mutuku holds a Diploma in Clinical Officer and Surgery from Kenya Medical Training College (K.M.T.C). He has over 13 years' work experience in the medical field.</p> | <p>Medical Superintendent/ Accounting Officer</p> |
| 2. |  <p>Nickson Keli holds a Diploma Business Management and Diploma in Accounting. He is currently pursuing a Bachelor of Science Degree in Health Management Systems. He has over 10 years' experience in administration and management.</p> | <p>Hospital Administrative Officer (HAO)</p> |

Kalama Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2024

| Ref | Management | Details |
|-----|--|--------------------------|
| 3. |  <p>Eric Milo has over 12 years' experience in Accounting and Finance. He holds a Master's in Business Administration, a Bachelor's Degree in Commerce & CPA Part 3.</p> | Head of Finance |
| 4. |  <p>Johan Mulinge holds a Diploma in Nursing from the Kenya Medical Training College (K.M.T.C). She has 5 years' work experience in Nursing</p> | Nursing Services Manager |

5. Chairman's Statement

There was no chairman's statement because there is no Board of Management (BOM).

6. Report of The Medical Superintendent

It is my pleasure to present the Kalama Level 4 Hospital Financial Statements for the year ended 30th June 2024, which are in line with the Public Finance Management (PFM) Act, 2012. The Act requires final financial statements to be prepared, published, publicized and submitted to the County Assembly, Office of the Auditor General, the National Treasury, the Controller of Budget and Commission for Revenue Allocation within a period of three months after the end of each Financial Year.

Attached are the Hospital's Statements which have been prepared in line with the requirements of the PFM Act 2012, which present a true and fair view of state of affairs of the County Government of Machakos for the year ended 30th June, 2024.

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

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

.....
Name *Joel Mubiru*
Medical Superintendent



7. Statement of Performance Against Predetermined Objectives

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

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

The strategic objectives are as follows;

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

Kalama Level 4 Hospital develops its annual work plans based on the above six objectives. Assessment of the management's performance against its annual work plan is done on a quarterly basis. The hospital achieved its performance targets set for the FY 2023/2024 period for its own strategic pillars, as indicated in the diagram below:

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

Kalama Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2024

| | | | | |
|---|--|---|---|--|
| | services to all patients | | | provision from 65% to 75% |
| Clinical services and products | <ul style="list-style-type: none"> To Establish and enhance good clinical governance | <ul style="list-style-type: none"> No of stock-out tracer drugs No of prescription reviewed Updated SOPs No of Pharma covigilance conducted | <ul style="list-style-type: none"> Rational use of Medications Rational use of blood and blood products Provision of Health products | <ul style="list-style-type: none"> Hospital Drug formulary in place. %reduction in morbidity and mortality. |
| Healthcare financing and sustainability | <ul style="list-style-type: none"> To increase revenue Generation | <ul style="list-style-type: none"> Revenue Reports %increase in revenue | <ul style="list-style-type: none"> Diversify Revenue Streams Review User Fee Charges Increase Customer Base | <ul style="list-style-type: none"> Revenue improved compared to previous year Review of user fees continuous and on progress |
| Strategic partnership | Conduct sensitization and research in order to attract donors | Number of donors offering financial support | Collaboration with donors | Managed to partner with Red-Cross |
| Quality improvement | <ul style="list-style-type: none"> Enhance Continuous Quality Improvement Enhance customer care services | <ul style="list-style-type: none"> Training Reports Customer care desks | <ul style="list-style-type: none"> Training of staff Customer care desks Minutes of the change Agents | <ul style="list-style-type: none"> More than 50 Staff trained and its continuous Monthly meeting for change Agents Achieved. |

8. Corporate Governance Statement

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

9. Management Discussion and Analysis

The main operational performance of Kalama Level 4 Hospital involves provision of health care services. The hospital collects some revenue from patients either in Mpesa – Paybill while offering the services. The funds are transferred to County Revenue Fund (CRF) as per Public Financial Management (PFM) regulations 2015. Currently, the operations of the facility are managed by transfers from the County Government. The monies are used to improve the facility and provide both curative and preventive care services to Kalama residents. The main challenges faced include delay in disbursement of funds from the County Treasury and large patients work load vs available workforce.

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

The hospital is planning to implement the following projects,

- Completion of general wards
- Completion of maternity unit
- Completion of radiology department
- Renovation of administration block
- Overhaul service for ambulance
- Renovation of hospital kitchen.

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

- Operational costs emanating from faulty and serviced medical equipment's
- Market risks resulting from competition from private sector offering quality health care services.
- Credit risk emanating from long outstanding pending bills
- Delayed cash flow from county treasury
- Over stretched work force in some sections within the Facility

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

10. Environmental And Sustainability Reporting

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

i) Sustainability strategy and profile

The top management through the medical superintendent or the accounting officer has collaborated with Machakos level 5 hospital and top management to ensure quality medical services are offered to our patients and as per the international standards set by World Health Organisation (WHO).

ii) Environmental performance

The hospital is in the process of developing world class environmental policy that will promote e – cycling of wastes to avoid health hazards that can negatively affect our clients and staff. The waste passes through a microwave during treatment process, which renders it harmless before they are taken to the dumpsite. The incinerator burns the waste at a very high temperature and the products is harmless.

iii) Employee welfare

The recruitment and appointment of the medical practitioners and other staff conducted by County Public Services Board in collaboration with mother department of Health. However, the posting and allocation of roles is done based on several elements among them, gender parity. Improvement of employee skills and career management is done through employee sponsorship to further their studies in line with their careers. This is done by sponsorship and supporting employees to attend short courses offered by the government institutions. Training programs are based on the identified needs from the training needs assessments and are emphasized for performance improvement addressing both individual and organizational goals. Performance management system is a process conducted by the employer to identify areas of weakness and support the individuals in order to get better results. It's an annual exercise intended to provide employees with clear understanding of job expectations, regular feedback on performance, advice and steps for improving performance, rewards for good performance and actions for poor performance. It helps to measure performance and ultimately the achievement of intended results for the organization. Lastly ,the

welfare of the staff is highly valued on the policy safety and compliance of the occupational safety and health act of 2007, (OSHA).

iv) Market place practices-

The organisation should outline its efforts to:

a) Responsible competition practice.

The hospital maintains good business practices, and treats its own suppliers responsibly by honouring contracts and respecting payment practices.

b) Responsible Supply chain and supplier relations

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

c) Responsible marketing and advertisement

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

d) Product stewardship

Ensure quality product or service provision guided by ethics and timeliness.

v) Corporate Social Responsibility / Community Engagements

Kalama level 4 hospital has conducted numerous CSR activities during the year on free – cancer and tuberculosis screening and treatment

11. Report of The Management

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

Principal activities

The principal activities of the entity are to provide quality and affordable preventive, promotive, rehabilitative and curative health services in both Kalama Sub- County and other local regions.

Results

The results of the entity for the year ended June 30 2024 are set out on pages 1 to 55.

Board of Management

There was no Board of Management (BOM) during FY 2023-2024.

Auditors

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

.....
Name *Joel Mubiru*
Medical Superintendent



12. Statement of the Management's Responsibilities

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

The Management is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2024. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

The Management accepts responsibility for the entity's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Management is of the opinion that the entity's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2024 and of the entity's financial position as at that date. The Management further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Hospital's financial statements were approved by the Management on 29/12/2024 and signed on its behalf by:

Name:
Accounting Officer

[Handwritten signature]
Deey Mubiru



REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KALAMA LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2024 - COUNTY GOVERNMENT OF MACHAKOS

PREAMBLE

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

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

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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 Kalama Level 4 Hospital - County Government of Machakos set out on pages 1 to 58, which comprise the statement of financial position as at 30 June, 2024, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement comparison of budget actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, 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 the Kalama Level 4 Hospital - County Government of Machakos as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, County Governments Act, 2012 and the Health Act, 2017.

Basis for Qualified Opinion

1. Unsupported Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.195,363 as disclosed in Note 34 to the financial statements. However, the supporting schedules were not provided for audit.

In circumstances, the accuracy and completeness of the trade and other payables balances of Kshs.195,363 could not be confirmed.

2. Unsupported Inventories Balance

The statement of financial position reflects inventories balance of Kshs.2,196,426 as disclosed in Note 30 to the financial statements. However, this balance was not supported by stock records or physical stock sheets. In addition, there was no evidence that a stock take was conducted at the close of the year ended 30 June, 2024.

In the circumstances, the accuracy and valuation of the inventories balance of Kshs.2,196,426 could not be confirmed.

3. Non-Disclosure of Property, Plant and Equipment

The statement of financial position reflects Nil balance on property, plant and equipment. However, review of Hospital records and physical verification revealed various assets

including land, buildings, motor vehicles, furniture, computers and equipment which were not disclosed in the financial statements. Further, the ownership documents for land were not provided for audit.

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

4. Non-Disclosure of Cost Paid by the County Government

The statement of financial performance reflects employee costs of Kshs.199,000 as disclosed in Note 16 to the financial statements. The amount is in respect of costs incurred on casuals and contractual staff. However, the Hospital also received services from eleven (11) members of staff which includes; nine (9) medical staff, two (2) non-medical staff employed and paid by the County. However, the expenditure was not disclosed in the financial statements and the payroll was not provided for audit.

In the circumstances, the accuracy and completeness of employee costs of Kshs.199,000 could not be confirmed.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matter described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Issues

In the audit report of the previous year, several issues were raised under Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, However, the issues are yet to be deliberated by the County Assembly.

Other Information

Management is responsible for the other information set out on page iii to xviii which comprise of Key Entity Information and Management, The Board of Management, Key Management Team, Chairman's Statement, Report of the Medical Superintendent,

Report of the Auditor-General on Kalama level 4 Hospital for the year ended 30 June, 2024 - County Government of Machakos

Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Management and the Statement of the Management's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Kalama Level 4 Hospital's - County Government of Machakos financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

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 effects of the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Deficiencies in Implementation of Universal Health Coverage (UHC)

Review of Hospital records and interviews on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits by 86 staff requirements or 85% of the authorized establishment;

| Staff Requirements | Level 4 Standard | Number in Hospital | Variance | Percentage % |
|--|------------------|--------------------|-----------|--------------|
| Medical Officers | 16 | 3 | 13 | 81 |
| Anesthesiologists | 2 | 0 | 2 | 100 |
| General Surgeons | 2 | 0 | 2 | 100 |
| Gynecologists | 2 | 0 | 2 | 100 |
| Pediatrics | 2 | 0 | 2 | 100 |
| Radiologists | 2 | 0 | 2 | 100 |
| Kenya Registered Community Health Nurses | 75 | 2 | 73 | 96 |
| Total | 101 | 5 | 86 | 85 |

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 | 4 | 146 | 97 |
| Resuscitative (2 in Labor & 1 in Theatre) | 2 | 0 | 2 | 100 |
| New Born Unit Incubators | 5 | 0 | 5 | 100 |
| New Born Unit Cots | 5 | 0 | 5 | 100 |
| Functional ICU Beds | 6 | 0 | | 100 |
| High Dependency Unit (HDU) Beds | 6 | 0 | 6 | 100 |
| Renal Unit with at least 5 Dialysis Machines | 5 | 0 | 5 | 100 |
| Two Functional Operational Theatres-Maternity & General | 2 | 0 | 2 | 100 |

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Lack of Risk Management Policy

During the year under review, and as reported in the previous year the Hospital did not have in place a risk management policy. This was contrary to Regulation 158(1)(a) and 158(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer to ensure that the County Government entity develops risk management strategies, which include fraud prevention mechanism and

the County Government entity develops a system of risk management and internal control that builds robust business operations.

In the circumstances, the ability of Management to identify threats or risks and various strategies of minimizing their impact may be compromised.

2. Lack of Hospital Board of Management

Records provided for audit revealed that during the year under review, the Hospital did not have a Board of Management. The absence of a Board of Management, which is critical for providing strategic direction and oversight, raises concerns about the Hospital's ability to effectively pursue and achieve its strategic objectives.

In these circumstances, the lack of a governing body hinders the Hospital's capacity to meet its strategic objectives.

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

Responsibilities of the Management and the Board of Management

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

In preparing the financial statements, Management is responsible for assessing the Hospital's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

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

The Board of Management is responsible for overseeing the Hospital's financial reporting process, reviewing the effectiveness of how Management monitors compliance with

relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

10 January, 2025

*Kalama Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2024*

14. Statement of Financial Performance for The Year Ended 30 June 2024

| Description | Notes | 2023/24 | 2022/23 |
|--|-------|------------------|------------------|
| | | Kshs | Kshs |
| Revenue from non-exchange transactions | | | |
| Transfers from the County Government | 6 | 7,763,400 | 1,199,820 |
| In-kind contributions from the County Government | 7 | - | 1,927,513 |
| Grants from donors and development partners | 8 | - | - |
| Transfers from other Government entities | 9 | - | - |
| Public contributions and donations | 10 | - | - |
| | | 7,763,400 | 3,127,333 |
| Revenue from exchange transactions | | | |
| Rendering of services- Medical Service Income | 11 | 28,880 | 307,170 |
| Revenue from rent of facilities | 12 | - | - |
| Finance /Interest Income | 13 | - | - |
| Other income (<i>specify</i>) | 14 | - | - |
| Revenue from exchange transactions | | 28,880 | 307,170 |
| Total revenue | | 7,792,280 | 3,434,503 |
| | | | |
| Expenses | | | |
| Medical/Clinical costs | 15 | 2,933,901 | 608,850 |
| Employee costs | 16 | 199,000 | 219,000 |
| Board of Management Expenses | 17 | - | - |
| Depreciation and amortization expense | 18 | - | - |
| Repairs and maintenance | 19 | 1,640,992 | 90,770 |
| Grants and subsidies | 20 | - | - |
| General expenses | 21 | 3,165,576 | 458,265 |
| Finance costs | 22 | - | - |
| Total expenses | | 7,939,469 | 1,376,885 |
| Other gains/(losses) | | | |
| Gain on disposal of non-Current assets | 23 | - | - |
| Unrealized gain on fair value of investments | 24 | - | - |
| Medical services contracts Gains/Losses | 25 | - | - |
| Impairment loss | 26 | - | - |
| Gain on foreign exchange transactions | | - | - |
| Total other gains/(losses) | | - | - |
| Net Surplus/ (Deficit) for the year | | (147,189) | 2,057,618 |

(The notes set out on pages 10 to 55 form an integral part of the Annual Financial Statements.)

Kalama Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2024

The Hospital's financial statements were approved by the Management on 29/12/24 and signed on its behalf by:

.....
Chairman

Board of Management


.....
Head of Finance

ICPAK No:

 
.....
Medical Superintendent



Kalama Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2024

15. Statement of Financial Position as at 30th June 2024

| Description | Notes | 2023/24 | 2022/23 |
|---|-------|------------------|------------------|
| | | Kshs | Kshs |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 27 | 2,604 | 149,793 |
| Receivables from exchange transactions | 28 | 111,120 | - |
| Receivables from non-exchange transactions | 29 | - | - |
| Inventories | 30 | 2,196,426 | 2,162,183 |
| Total Current Assets | | 2,310,150 | 2,311,976 |
| Non-current assets | | | |
| Property, plant, and equipment | 31 | - | - |
| Intangible assets | 32 | - | - |
| Investment property | 33 | - | - |
| Total Non-current Assets | | - | - |
| Total assets (A) | | 2,310,150 | 2,311,976 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 34 | 195,363.00 | 50,000 |
| Refundable deposits from customers/Patients | 35 | - | - |
| Provisions | 36 | - | - |
| Finance lease obligation | 37 | - | - |
| Current portion of deferred income | 38 | - | - |
| Current portion of borrowings | 39 | - | - |
| Social Benefits | 41 | - | - |
| Total Current Liabilities | | 195,363 | 50,000 |
| Non-current liabilities | | | |
| Provisions | 36 | - | - |
| Non-Current Finance lease obligation | 37 | - | - |
| Non-Current portion of deferred income | 38 | - | - |
| Non - Current portion of borrowings | 39 | - | - |
| Service concession Arrangements | 40 | - | - |
| Total Non-current liabilities | | - | - |
| Total Liabilities (B) | | 195,363 | 50,000 |
| Net assets (A-B) | | 2,114,787 | 2,261,976 |

Kalama Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2024

| | | | |
|-----------------------------|--|------------------|------------------|
| Revaluation reserve | | - | - |
| Accumulated surplus/Deficit | | 2,114,787 | 2,261,976 |
| Capital Fund | | - | - |
| Total Net Assets | | 2,114,787 | 2,261,976 |

(The notes set out on pages 10 to 55 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Management on 29/12/24 and signed on its behalf by:

.....
Chairman
Board of Management

[Signature]
.....
Head of Finance
ICPAK No:

[Signature]
.....
Medical Superintendent



Kalama Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2024

16. Statement of Changes in Net Asset for The Year Ended 30 June 2024

| Description | Revaluation reserve | Accumulated surplus/Deficit | Capital Fund | Total |
|--|---------------------|-----------------------------|--------------|------------------|
| As at July 1, 2022(previous year) | - | 204,358 | - | 204,358 |
| Revaluation gain | - | - | - | - |
| Surplus/(deficit) for the year | - | 2,057,618 | - | 2,057,618 |
| Capital/Development grants | - | - | - | - |
| As at June 30, 2023 (previous year) | - | 2,261,976 | - | 2,261,976 |
| | | | | - |
| At July 1, 2023 (current year) | - | 2,261,976 | | 2,261,976 |
| Revaluation gain | - | - | - | - |
| Surplus/(deficit) for the year | - | (147,189) | - | (147,189) |
| Capital/Development grants | - | - | - | - |
| At June 30, 2024 (current year) | - | 2,114,787 | - | 2,114,787 |

*Kalama Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2024*

17. Statement of Cash Flows for The Year Ended 30 June 2024

| Description | Notes | 2023/24 | 2022/23 |
|---|-------|------------------|------------------|
| | | Kshs | Kshs |
| Cash flows from operating activities | | | |
| Receipts | | | |
| Transfers from the County Government | 6 | 7,763,400 | 1,199,820 |
| Grants from donors and development partners | | - | - |
| Transfers from other Government entities | | - | - |
| Public contributions and donations | | - | - |
| Rendering of services- Medical Service Income | 11 | 28,880 | 307,170 |
| Revenue from rent of facilities | | - | - |
| Finance / interest income | | - | - |
| Miscellaneous receipts | 14 | - | - |
| Total Receipts | | 7,792,280 | 1,506,990 |
| Payments | | | |
| Medical/Clinical costs | 15 | 2,933,901 | 608,850 |
| Employee costs | 16 | 199,000 | 219,000 |
| Board of Management Expenses | 17 | - | - |
| Repairs and maintenance | 19 | 1,640,992 | 90,770 |
| Grants and subsidies | 20 | - | - |
| General expenses | 21 | 3,165,576 | 458,265 |
| Finance costs | 22 | - | - |
| Refunds paid out | | - | - |
| Total Payments | | 7,939,469 | 1,376,885 |
| Net cash flows from operating activities | | (147,189) | 130,105 |
| Cash flows from investing activities | | | |
| Purchase of property, plant, equipment | | - | (369,877) |
| Purchase of intangible assets | | - | - |
| Proceeds from the sale of PPE | | - | - |
| Acquisition of investments | | - | - |
| Net cash flows used in investing activities | | - | (369,877) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | - | - |
| Repayment of borrowings | | - | - |
| Capital grants received | | - | - |
| Net cash flows used in financing activities | | - | - |
| Net increase/(decrease) in cash and cash equivalents | | (147,189) | (239,772) |
| Cash and cash equivalents at 1 July | | 149,793 | 389,565 |
| Cash and cash equivalents at 30 Jun | | 2,604 | 149,793 |

Kalama Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2024

The Hospital's financial statements were approved by the Management on 29/12/2024 and signed on its behalf by:

.....
Chairman
Board of Management

[Signature]
.....
Head of Finance
ICPAK No:

[Signature]
.....
Medical Superintendent



Kalama Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2024

18. Statement of Comparison of Budget and Actual Amounts for Year Ended 30 June 2024

| Description | Original budget | Adjustments | Final budget | Actual on comparable basis | Performance difference | % of utilization |
|---|------------------|-------------|------------------|----------------------------|------------------------|------------------|
| | A | b | c=(a+b) | d | e=(c-d) | f=d/c % |
| | Kshs | Kshs | Kshs | Kshs | | Kshs |
| Revenue | | | | | | |
| Transfers from the County Government | 7,763,400 | - | 7,763,400 | 7,763,400 | - | 100% |
| Grants from donors and development partners | - | - | - | - | - | - |
| Transfers from other Government entities | - | - | - | - | - | - |
| Public contributions and donations | - | - | - | - | - | - |
| Rendering of services- Medical Service Income | 28,880 | - | 28,880 | 28,880 | - | 100% |
| Revenue from rent of facilities | - | - | - | - | - | - |
| Finance / interest income | - | - | - | - | - | - |
| Miscellaneous receipts | 149,793 | - | 149,793 | 149,793 | - | 100% |
| Total income | 7,942,073 | - | 7,942,073 | 7,942,073 | - | 100% |
| Expenses | | | | | | |
| Medical/Clinical costs | 2,933,901 | - | 2,933,901 | 2,933,901 | - | 100% |
| Employee costs | 199,000 | - | 199,000 | 199,000 | - | 100% |
| Remuneration of directors | - | - | - | - | - | 0% |

Kalama Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2024

| Description | Original budget | Adjustments | Final budget | Actual on comparable basis | Performance difference | % of utilization |
|-------------------------------|------------------|-------------|------------------|----------------------------|------------------------|------------------|
| | A | b | c=(a+b) | d | e=(c-d) | f=d/c % |
| | Kshs | Kshs | Kshs | Kshs | | Kshs |
| Repairs and maintenance | 1,640,992 | - | 1,640,992 | 1,640,992 | - | 100% |
| Grants and subsidies | | - | | | - | 0% |
| General expenses | 3,165,576 | - | 3,165,576 | 3,165,576 | - | 100% |
| Finance costs | | - | | | - | 0% |
| Refunds | | - | | | - | 0% |
| Inventories | - | - | - | - | - | 0% |
| Total expenditure | 7,939,469 | - | 7,939,469 | 7,939,469 | - | 100% |
| | | | | | | |
| Surplus for the period | 2,604 | - | 2,604 | 2,604 | - | |
| Capital Expenditure | - | - | - | - | - | - |

19. Notes to the Financial Statements

1. General Information

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

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the entity. The financial statements have been prepared in accordance with the PFM Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2024

There were no new and amended standards issued in the financial year.

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.

| Standard | Effective date and impact: |
|--|--|
| IPSAS 43 | <p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and 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> |
| IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations | <p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> |
| IPSAS 45- Property Plant and Equipment | <p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that</p> |

| Standard | Effective date and impact: |
|--|---|
| | <p>satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p> |
| <p>IPSAS 46 Measurement</p> | <p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> |
| <p>IPSAS 47- Revenue</p> | <p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> |
| <p>IPSAS 48- Transfer Expenses</p> | <p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard</p> |

Kalama Level 4 Hospital (Machakos County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2024

| Standard | Effective date and impact: |
|------------------------------------|---|
| | for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers. |
| IPSAS 49- Retirement Benefit Plans | <p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> |

iii) Early adoption of standards

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

4. Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

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

ii) Revenue from exchange transactions

Rendering of services

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

Sale of goods

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

Interest income

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

Rental income

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

Notes to the Financial Statements (Continued)

b. Budget information

The original budget for FY 2023/24 was approved by the County Assembly on 12th July 2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the *entity* recorded zero additional appropriations on the FY 2023/24 budget following the County Assembly's approval. The *entity's* budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page 8 under section of these financial statements.

c. Taxes

Sales tax/ Value Added Tax

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

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

Notes to the Financial Statements (Continued)

d. Investment property

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

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

e. Property, plant and equipment

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

Notes to the Financial Statements (Continued)

f. Leases

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

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

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

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

g. Intangible assets

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

Notes to the Financial Statements (Continued)

h. Research and development costs

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

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

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

i. Financial instruments

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

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

Notes to the Financial Statements (Continued)

Financial assets

Classification of financial assets

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

Subsequent measurement

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

Amortized cost

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

Notes to the Financial Statements (Continued)

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Notes to the Financial Statements (Continued)

l. Social Benefits

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

m. Contingent liabilities

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

n. Contingent assets

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

o. Nature and purpose of reserves

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

p. Changes in accounting policies and estimates

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

Notes to the Financial Statements (Continued)

q. Employee benefits

Retirement benefit plans

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

r. Foreign currency transactions

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

s. Borrowing costs

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

t. Related parties

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

Notes to the Financial Statements (Continued)

u. Service concession arrangements

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

v. Cash and cash equivalents

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

w. Comparative figures

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

x. Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2024.

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 36. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Notes to Financial Statements Continued

6. Transfers from the County Government

| Description | 2023/24 | 2022/23 |
|---|------------------|------------------|
| | KShs | KShs |
| Unconditional Grants | | |
| Operational Grant | 7,763,400 | 1,199,820 |
| Level 5 Grants | - | - |
| Unconditional Development Grants | - | - |
| Other Grants | - | - |
| | 7,763,400 | 1,199,820 |
| Conditional Grants | | |
| User Fee Forgone | - | - |
| Transforming Health Services For Universal Care Project (THUCP) | - | - |
| DANIDA | - | - |
| Wards Development Grant | - | - |
| Paediatric Block Grant | - | - |
| Administration Block Grant | - | - |
| Laboratory Grant | - | - |
| Total Government Grants And Subsidies | 7,763,400 | 1,199,820 |

6 b Transfers from The County Government

| Name of the Entity sending the grant | Amount recognized to Statement of financial performance | Amount deferred under deferred income | Amount recognised in capital fund. | Total grant income during the period | 2022/23 |
|--------------------------------------|---|---------------------------------------|------------------------------------|--------------------------------------|------------------|
| | Kshs | Kshs | | | |
| | | | Kshs | Kshs | Kshs |
| Machakos County Government | 7,763,400 | - | - | 7,763,400 | 1,199,820 |
| Total | 7,763,400 | - | - | 7,763,400 | 1,199,820 |

Notes to Financial Statements Continued

7. In Kind Contributions from The County Government

| Description | 2023/24 | 2022/23 |
|--|---------|------------------|
| | KShs | KShs |
| Salaries and wages | - | - |
| Medical supplies-Drawings Rights (KEMSA) | - | 1,927,513 |
| Pharmaceutical and Non-Pharmaceutical Supplies | - | - |
| Utility bills | - | - |
| Total grants in kind | - | 1,927,513 |

8. Grants From Donors and Development Partners

| Description | 2023/24 | 2022/23 |
|---|---------|---------|
| | KShs | KShs |
| Cancer Centre grant- DANIDA | - | - |
| World Bank grants | - | - |
| Paediatric ward grant- JICA | - | - |
| Research grants | - | - |
| Other grants (<i>specify</i>) | - | - |
| Total grants from development partners | - | - |

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

| Name of the Entity sending the grant | Amount recognized to Statement of financial performance | Amount deferred under deferred income | Amount recognised in capital fund. | Total grant income during the year | 2022/23 |
|--------------------------------------|---|---------------------------------------|------------------------------------|------------------------------------|---------|
| | KShs | KShs | KShs | KShs | KShs |
| Donor e.g., DANIDA | - | - | - | - | - |
| JICA | - | - | - | - | - |
| World Bank | - | - | - | - | - |
| Total | - | - | - | - | - |

Notes to Financial Statements Continued

9. Transfers From Other Government Entities

| Description | 2023/24 | 2022/23 |
|--|---------|---------|
| | KShs | KShs |
| Transfer from National Government (Ministry of Health) | - | - |
| Transfer from National Hospital | - | - |
| Transfer from Institute | - | - |
| Total Transfers | - | - |

10. Public Contributions and Donations

| Description | 2023/24 | 2022/23 |
|--|---------|---------|
| | KShs | KShs |
| Public donations | - | - |
| Donations from local leadership | - | - |
| Donations from religious institutions | - | - |
| Donations from other international organisations and individuals | - | - |
| Other donations(<i>specify</i>) | - | - |
| Donations in kind-amortised | - | - |
| Total donations and sponsorships | - | - |

10 (a) Reconciliations of amortised grants

| Description | 2023/24 | 2022/23 |
|--|---------|---------|
| | Kshs | Kshs |
| Balance unspent at beginning of year | - | - |
| Current year receipts | - | - |
| Amortised and transferred to revenue | - | - |
| Conditions to be met – remain liabilities | - | - |

Notes to Financial Statements Continued

11. Rendering of Services-Medical Service Income

| Description | 2023/24 | 2022/23 |
|---|---------------|----------------|
| | KShs | KShs |
| Pharmaceuticals | | 232,550 |
| Non-Pharmaceuticals | - | 74,620 |
| Laboratory | - | - |
| Radiology | - | - |
| Orthopaedic and Trauma Technology | - | - |
| Theatre | - | - |
| Accident and Emergency Service | - | - |
| Anaesthesia Service | - | - |
| Ear Nose and Throat service | - | - |
| Nutrition service | - | - |
| Cancer centre service | - | - |
| Dental services | - | - |
| Reproductive health | - | - |
| Paediatrics services | - | - |
| Farewell home services | - | - |
| Ambulance Services | | |
| Other medical services income | 28,880 | |
| Total revenue from the rendering of services | 28,880 | 307,170 |

Notes to the Financial Statements (Continued)

12. Revenue From Rent of Facilities

| Description | 2023/24 | 2022/23 |
|--|---------|---------|
| | Kshs | Kshs |
| Residential property | - | - |
| Commercial property | - | - |
| Total Revenue from rent of facilities | - | - |

13. Finance /Interest Income

| Description | 2023/24 | 2022/23 |
|--|---------|---------|
| | Kshs | Kshs |
| Interest income from Cash investments and fixed deposits | - | - |
| Interest income from short- term/ current deposits | - | - |
| Interest income from Treasury Bills | - | - |
| Interest income from Treasury Bonds | - | - |
| Interest from outstanding debtors | - | - |
| Total finance income | - | - |

14. Miscellaneous Income

| Description | 2023/24 | 2022/23 |
|---|---------|---------|
| | KShs | KShs |
| Insurance recoveries | - | - |
| Income from sale of tender | - | - |
| Services concession income | - | - |
| Sale of goods (water, publications, containers) | - | - |
| Write backs (Deposits, payments in advance) | - | - |
| Bad debts recovered | - | - |
| Balance b/f | - | - |
| Total Miscellaneous income | - | - |

Notes to the Financial Statements (Continued)

15. Medical/ Clinical Costs

| Description | 2023/24 | 2022/23 |
|--------------------------------------|------------------|----------------|
| | KShs | KShs |
| Dental costs/ materials | - | - |
| Laboratory chemicals and reagents | 360,000 | 80,000 |
| Public health activities | - | - |
| Food and Ration | 376,260 | 170,795 |
| Uniform, clothing, and linen | 120,000 | - |
| Dressing and Non-Pharmaceuticals | 1,484,234 | 184,608 |
| Pharmaceutical supplies | 192,117 | 55,800 |
| Health information stationery | - | - |
| Reproductive health materials | - | - |
| Sanitary and cleansing Materials | 401,290 | 36,000 |
| Purchase of Medical gases | - | - |
| X-Ray/Radiology supplies | - | - |
| Other medical related clinical costs | - | 81,647 |
| Total medical/ clinical costs | 2,933,901 | 608,850 |

16. Employee Costs

| Description | 2023/24 | 2022/23 |
|--|----------------|----------------|
| | KShs | KShs |
| Salaries, wages, and allowances | 199,000 | 219,000 |
| Contributions to pension schemes | - | - |
| Service gratuity | - | - |
| Performance and other bonuses | - | - |
| Staff medical expenses and Insurance cover | - | - |
| Group personal accident insurance and WIBA | - | - |
| Social contribution | - | - |
| Other employee costs (specify) | - | - |
| Employee costs | 199,000 | 219,000 |

Notes to the Financial Statements (Continued)

17. Board of Management Expenses

| Description | 2023/24 | 2022/23 |
|------------------------------------|---------|---------|
| | Kshs | Kshs |
| Chairman's Honoraria | - | - |
| Sitting allowance | - | - |
| Mileage | - | - |
| Insurance expenses | - | - |
| Induction and training | - | - |
| Travel and accommodation allowance | - | - |
| Airtime allowances | - | - |
| Total | - | - |

18. Depreciation and Amortization Expense

| Description | 2023/24 | 2022/23 |
|--|---------|---------|
| | Kshs | Kshs |
| Property, plant and equipment | - | - |
| Intangible assets | - | - |
| Investment property carried at cost | - | - |
| Total depreciation and amortization | - | - |

19. Repairs And Maintenance

| Description | 2023/24 | 2022/23 |
|--------------------------------------|------------------|---------------|
| | KShs | KShs |
| Property- Buildings | 790,052 | 30,770 |
| Medical equipment | 160,000 | - |
| Office equipment | 110,000 | - |
| Furniture and fittings | 270,140 | 20,000 |
| Computers and accessories | 30,000 | 20,000 |
| Motor vehicle expenses | 280,800 | 20,000 |
| Maintenance of civil works | - | - |
| Total repairs and maintenance | 1,640,992 | 90,770 |

Notes to the Financial Statements (Continued)

20. Grants And Subsidies

| Description | 2023/24 | 2022/23 |
|--|---------|---------|
| | Kshs | Kshs |
| Community development and social work | - | - |
| Education initiatives and programs | - | - |
| Free/ subsidised medical camp | - | - |
| Disability programs | - | - |
| Free cancer screening | - | - |
| Social benefit expenses | - | - |
| Other grants and subsidies(<i>specify</i>) | - | - |
| Total grants and subsidies | - | - |

21. General Expenses

| Description | 2023/24 | 2022/23 |
|-------------------------------------|-----------|---------|
| | KShs | KShs |
| Advertising and publicity expenses | - | 20,000 |
| Catering expenses | 117,018 | 105,000 |
| Waste management expenses | - | - |
| Insecticides and rodenticides | - | - |
| Audit fees | - | - |
| Bank charges | 2,255 | - |
| Conferences and delegations | - | 2,465 |
| Consultancy fees | - | - |
| Contracted services | - | - |
| Electricity expenses | 448,700 | - |
| Fuel and Lubricants | 789,800 | 213,800 |
| Insurance | - | - |
| Research and development expenses | - | - |
| Travel and accommodation allowance | 268,318 | 30,000 |
| Legal expenses | - | - |
| Licenses and permits | - | - |
| Courier and postal services | - | - |
| Printing and stationery | 1,083,895 | 20,000 |
| Hire charges | - | - |
| Rent expenses | - | - |
| Water and sewerage costs | 158,600 | 12,000 |
| Skills development levies | - | - |
| Telephone and mobile phone services | 282,990 | 55,000 |

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| | | |
|--|------------------|----------------|
| Internet expenses | 14,000 | - |
| Staff training and development | - | - |
| Subscriptions to professional bodies | - | - |
| Subscriptions to newspapers periodical, magazines, and gazette notices | - | - |
| Library books/Materials | - | - |
| Parking charges | - | - |
| Total General Expenses | 3,165,576 | 458,265 |

22. Finance Costs

| Description | 2023/24 | 2022/23 |
|---|----------|----------|
| | KShs | KShs |
| Borrowings (amortized cost) * | - | - |
| Finance leases (amortized cost) | - | - |
| Interest on Bank overdrafts/Guarantees | - | - |
| Interest on loans from commercial banks | - | - |
| Total finance costs | - | - |

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

| Description | 2023/24 | 2022/23 |
|---|----------|----------|
| | KShs | KShs |
| Property, plant, and equipment | - | - |
| Intangible assets | - | - |
| Other assets not capitalised (<i>specify</i>) | - | - |
| Total gain on sale of assets | - | - |

24. Unrealized Gain on Fair Value Investments

| Description | 2023/24 | 2022/23 |
|---------------------------|----------|----------|
| | KShs | KShs |
| Investments at fair value | - | - |
| Total gain | - | - |

Notes to the Financial Statements (Continued)

25. Medical Services Contracts Gains /Losses

| Description | 2023/24 | 2022/23 |
|---|---------|---------|
| | KShs | KShs |
| Comprehensive care contracts with NHIF | - | - |
| Non- Comprehensive contracts care with NHIF | - | - |
| Linda Mama Program | - | - |
| Waivers and Exemptions | - | - |
| Total Gain/Loss | - | - |

26. Impairment Loss

| Description | 2023/24 | 2022/23 |
|--------------------------------|---------|---------|
| | KShs | KShs |
| Property, plant, and equipment | - | - |
| Intangible assets | - | - |
| Investments | - | - |
| Total impairment loss | - | - |

27. Cash And Cash Equivalent

| Description | 2023/24 | 2022/23 |
|--|--------------|----------------|
| | KShs | KShs |
| Current accounts | 2,604 | 149,793 |
| On - call deposits | - | - |
| Fixed deposits accounts | - | - |
| Cash in hand | - | - |
| Others(<i>specify</i>)- Mobile money | - | - |
| Total cash and cash equivalents | 2,604 | 149,793 |

Notes to the Financial Statements (Continued)

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

| Description | | 2023/24 | 2022/23 |
|-----------------------------------|----------------|--------------|----------------|
| Financial institution | Account number | KShs | KShs |
| a) Current account | | | |
| Co-operative Bank | 01141033257201 | 2,604 | 149,793 |
| | | - | - |
| Sub- total | | 2,604 | 149,793 |
| b) On - call deposits | | | |
| Kenya Commercial bank | | - | - |
| Equity Bank – etc | | - | - |
| Sub- total | | - | - |
| c) Fixed deposits account | | | |
| Bank Name | | - | - |
| Sub- total | | - | - |
| d) Others(specify) | | - | - |
| Cash in hand | | - | - |
| Mobile money- Mpesa, Airtel money | | - | - |
| Sub- total | | - | - |
| Grand total | | 2,604 | 149,793 |

28. Receivables From Exchange Transactions

| Description | 2023/24 | 2022/23 |
|------------------------------|----------------|----------|
| | KShs | KShs |
| Medical services receivables | 111,120 | - |
| Rent receivables | - | - |
| Other exchange debtors | - | - |
| Less: impairment allowance | - | - |
| Total receivables | 111,120 | - |

Analysis of Receivables from Exchange Transactions

| Description | 2023/24 | | 2022/23 | |
|--------------------|----------------|----------------|----------------|----------------|
| | Kshs | | Kshs | |
| | Current FY | % of the total | Comparative FY | % of the total |
| Less than 1 year | 111,120 | 100% | - | % |
| Between 1- 2 years | - | % | - | % |
| Between 2-3 years | - | % | - | % |
| Over 3 years | - | % | - | % |
| Total (a+b) | 111,120 | 100% | - | % |

29. Receivables From Non-Exchange Transactions

| Description | 2023/24 | 2022/23 |
|---|----------|----------|
| | KShs | KShs |
| Transfers from the County Government | - | - |
| Undisbursed donor funds | - | - |
| Other debtors (non-exchange transactions) | - | - |
| Less: impairment allowance | - | - |
| Total | - | - |

Analysis of Receivables From Non-Exchange Transactions

| Description | 2023/24 | | 2022/23 | |
|--------------------|------------|----------------|----------------|----------------|
| | Kshs | | Kshs | |
| | Current FY | % of the total | Comparative FY | % of the total |
| Less than 1 year | - | % | - | % |
| Between 1- 2 years | - | % | - | % |
| Between 2-3 years | - | % | - | % |
| Over 3 years | - | % | - | % |
| Total (a+b) | - | % | - | % |

30. Inventories

| Description | 2023/24 | 2022/23 |
|--|------------------|------------------|
| | KShs | KShs |
| Pharmaceutical supplies | 2,196,426 | 1,465,000 |
| Maintenance supplies | - | 456,300 |
| Food supplies | - | - |
| Linen and clothing supplies | - | - |
| Cleaning materials supplies | - | - |
| General supplies | | 240,883 |
| Less: provision for impairment of stocks | - | - |
| Total | 2,196,426 | 2,162,183 |

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Notes to the Financial Statements (Continued)

31. Property, Plant and Equipment

| Description | Land | Buildings and Civil works | Motor vehicles | Furniture, fittings, and office equipment | ICT Equipment | Plant and medical Equipment | Capital Work in progress | Total |
|------------------------------------|------|---------------------------|----------------|---|---------------|-----------------------------|--------------------------|-------|
| | Ksh | Ksh | Ksh | Ksh | Ksh | Ksh | Ksh | Ksh |
| Cost | | | | | | | | |
| At 1 July 2022 (previous year) | - | - | - | - | - | - | - | - |
| Additions | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - | - |
| Transfers/adjustments | - | - | - | - | - | - | - | - |
| At 30th Jun 2023 | - | - | - | - | - | - | - | - |
| At 1 July 2023 (current year) | - | - | - | - | - | - | - | - |
| Additions | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - | - |
| Transfer/adjustments | - | - | - | - | - | - | - | - |
| At 30th Jun 2024 | - | - | - | - | - | - | - | - |
| Depreciation and impairment | | | | | | | | |
| At 1 July 2022 (previous year) | | - | - | - | - | - | - | - |
| Depreciation for the year | | - | - | - | - | - | - | - |
| Disposals | | - | - | - | - | - | - | - |
| Impairment | | - | - | - | - | - | - | - |
| At 30 June 2023 | | - | - | - | - | - | - | - |

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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 |
|---|------|---------------------------|----------------|---|---------------|-----------------------------|--------------------------|-------|
| | Ksh | Ksh | Ksh | Ksh | Ksh | Ksh | Ksh | Ksh |
| At July 2023 (current year) | | - | - | - | - | - | - | - |
| Depreciation | | - | - | - | - | - | - | - |
| Disposals | | - | - | - | - | - | - | - |
| Impairment | | - | - | - | - | - | - | - |
| Transfer/adjustment | | - | - | - | - | - | - | - |
| At 30th June 2024 | | - | - | - | - | - | - | - |
| | | | | | | | | |
| Net book values | | | | | | | | |
| At 30 th Jun 2023 (previous) | - | - | - | - | - | - | - | - |
| At 30 th Jun 2024 (current) | - | - | - | - | - | - | - | - |

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Notes to the Financial Statements (Continued)

32. Intangible Assets-Software

| Description | 2023/24 | 2022/23 |
|------------------------------------|---------|---------|
| | KShs | KShs |
| Cost | | |
| At beginning of the year | - | - |
| Additions | - | - |
| Additions-Internal development | - | - |
| Disposal | - | - |
| At end of the year | - | - |
| | | |
| Amortization and impairment | | |
| At beginning of the year | - | - |
| Amortization for the period | - | - |
| Impairment loss | - | - |
| At end of the year | - | - |
| NBV | - | - |

33. Investment Property

| Description | 2023/24 | 2022/23 |
|--|---------|---------|
| | KShs | KShs |
| At beginning of the year | - | - |
| Additions | - | - |
| Disposals during the year | - | - |
| Fair value gain | - | - |
| Depreciation (<i>where investment property is at cost</i>) | - | - |
| Impairment | - | - |
| At end of the year | - | - |

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Notes to the Financial Statements (Continued)

34. Trade and other Payables

| Description | 2023/24 | | 2022/23 | |
|---------------------------------------|----------------|-----------------------|----------------|-----------------------|
| | KShs | | KShs | |
| Trade payables | 195,363 | | 50,000 | |
| Employee dues | - | | - | |
| Third-party payments) | - | | - | |
| Audit fee | - | | - | |
| Doctors' fee | - | | - | |
| Total trade and other payables | 195,363 | | 50,000 | |
| Ageing analysis: | 2023/24 | % of the Total | 2022/23 | % of the total |
| Under one year | 195,363 | 100% | 50,000 | % |
| 1-2 years | - | % | - | % |
| 2-3 years | - | % | - | % |
| Over 3 years | - | % | - | % |
| Total | 195,363 | 100% | - | % |

35. Refundable Deposits from Customers/Patients

| Description | 2023/24 | | 2022/23 | |
|------------------------------|-------------------|-----------------------|-----------------------|-----------------------|
| | KShs | | KShs | |
| Medical fees paid in advance | - | | - | |
| Credit facility deposit | - | | - | |
| Rent deposits | - | | - | |
| Others (<i>specify</i>) | - | | - | |
| Total deposits | - | | - | |
| | | % of the Total | | % of the Total |
| Ageing analysis: | Current FY | % of the Total | Comparative FY | % of the Total |
| Under one year | - | % | - | % |
| 1-2 years | - | % | - | % |
| 2-3 years | - | % | - | % |
| Over 3 years | - | % | - | % |
| Total | - | % | - | % |

Notes to the Financial Statements (Continued)

36. Provisions

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

37. Finance Lease Obligation

| Description | 2023/24 | 2022/23 |
|----------------------------|---------|---------|
| | Kshs | Kshs |
| Current Lease obligation | - | - |
| Long term lease obligation | - | - |
| Total | - | - |

38. Deferred Income

| Description | 2023/24 | 2022/23 |
|---------------------|---------|---------|
| | KShs | KShs |
| Current Portion | - | - |
| Non-Current Portion | - | - |
| Total | - | - |

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Notes to the Financial Statements (Continued)

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

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

39. Borrowings

| Description | 2023/24 | 2022/23 |
|---|---------|---------|
| | KShs | KShs |
| Balance at beginning of the period | - | - |
| External borrowings during the year | - | - |
| Domestic borrowings during the year | - | - |
| Repayments of external borrowings during the year | - | - |
| Repayments of domestic borrowings during the year | - | - |
| Balance at end of the period | - | - |

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

| Description | 2023/24 | 2022/23 |
|------------------------|---------|---------|
| | KShs | KShs |
| Current Obligation | - | - |
| Non-Current Obligation | - | - |
| Total | - | - |

Notes to the Financial Statements (Continued)

40. Service Concession Arrangements

| Description | 2023/24 | 2022/23 |
|--|---------|---------|
| | KShs | KShs |
| Fair value of service concession assets recognized under PPE | - | - |
| Accumulated depreciation to date | (-) | (-) |
| Net carrying amount | - | - |
| Service concession liability at beginning of the year | - | - |
| Service concession revenue recognized | (-) | (-) |
| Service concession liability at end of the year | - | - |

41. Social Benefits

| Description | 2023/24 | 2022/23 |
|--|---------|---------|
| | Kshs | Kshs |
| Health social benefit scheme | - | - |
| Unemployment social benefit scheme | - | - |
| Orphaned and vulnerable benefit scheme | - | - |
| People Living with Disabilities benefit Scheme | - | - |
| Elderly social benefit scheme | - | - |
| Bursary social benefits | - | - |
| Total | - | - |
| | - | - |
| Current social benefits | - | - |
| Non- current social benefits | - | - |
| Total (tie to totals above) | - | - |

Notes to the Financial Statements (Continued)

42. Cash Generated from Operations

| Description | 2023/24 | 2022/23 |
|--|---------|---------|
| | KShs | KShs |
| Surplus for the year before tax | - | - |
| Adjusted for: | | |
| Depreciation | - | - |
| Non-cash grants received | (-) | (-) |
| Impairment | - | - |
| Gains and losses on disposal of assets | (-) | (-) |
| Contribution to provisions | - | - |
| Contribution to impairment allowance | - | - |
| Working Capital adjustments | | |
| Increase in inventory | (-) | (-) |
| Increase in receivables | (-) | (-) |
| Increase in deferred income | - | - |
| Increase in payables | - | - |
| Increase in payments received in advance | - | - |
| Net cash flow from operating activities | - | - |

Notes to the Financial Statements (Continued)

43. Financial Risk Management

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The hospital'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 hospital does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The 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 hospital's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the 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 2023 (previous year) | | | | |
| Receivables from exchange transactions | - | - | - | - |
| Receivables from –non-exchange transactions | - | - | - | - |
| Bank balances | - | - | - | - |
| Total | - | - | - | - |
| At 30 June 2024 (current year) | | | | |
| Receivables from exchange transactions | - | - | - | - |
| Receivables from –non-exchange transactions | - | - | - | - |
| Bank balances | - | - | - | - |
| Total | - | - | - | - |

Notes to the Financial Statements (Continued)

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

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the hospital's 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 hospital under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

| Description | Less than 1 month | Between 1-3 months | Over 5 months | Total |
|-------------------------------|-------------------|--------------------|---------------|-------|
| | Kshs | Kshs | Kshs | Kshs |
| At 30 June 2023 | | | | |
| Trade payables | - | - | - | - |
| Current portion of borrowings | - | - | - | - |
| Provisions | - | - | - | - |
| Deferred income | - | - | - | - |
| Employee benefit obligation | - | - | - | - |
| Total | - | - | - | - |
| At 30 June 2024 | | | | |
| Trade payables | - | - | - | - |
| Current portion of borrowings | - | - | - | - |
| Provisions | - | - | - | - |
| Deferred income | - | - | - | - |
| Employee benefit obligation | - | - | - | - |
| Total | - | - | - | - |

Notes to the Financial Statements (Continued)

(iii) Market risk

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

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

a) Foreign currency risk

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

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

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

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Notes to the Financial Statements (Continued)

| Description | KShs | Other currencies | Total |
|---|------|------------------|-------|
| | Kshs | | Kshs |
| At 30 June 2024 | | | |
| Financial assets (investments, cash, debtors) | - | - | - |
| Liabilities | - | - | - |
| Trade and other payables | - | - | - |
| Borrowings | - | - | - |
| Net foreign currency asset/(liability) | - | - | - |

Foreign currency sensitivity analysis

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

| Description | Change in currency rate | Effect on Profit before tax | Effect on equity |
|-----------------------------|-------------------------|-----------------------------|------------------|
| | Kshs | Kshs | Kshs |
| 2023 (previous year) | | | |
| Euro | 10% | - | - |
| USD | 10% | - | - |
| 2024 (current year) | | | |
| Euro | 10% | - | - |
| USD | 10% | - | - |

b) Interest rate risk

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

Management of interest rate risk

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

Notes to the Financial Statements (Continued)

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of financial performance if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs (2024: KShs . A rate increase/decrease of 5% would result in a decrease/increase in surplus of KShs (2024 – KShs).

iv) Capital Risk Management

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

| Description | 2023/24 | 2022/23 |
|--|---------|---------|
| | Kshs | Kshs |
| Revaluation reserve | - | - |
| Retained earnings | - | - |
| Capital reserve | - | - |
| Total funds | - | - |
| | - | - |
| Total borrowings | - | - |
| Less: cash and bank balances | (-) | (-) |
| Net debt/ (excess cash and cash equivalents) | - | - |
| Gearing | % | % |

Notes to the Financial Statements (Continued)

44. Related Party Balances

Nature of related party relationships

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

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

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

| Description | 2023/24 | 2022/23 |
|--|------------------|------------------|
| | Kshs | Kshs |
| Transactions with related parties | | |
| a) Services offered to related parties | | |
| Services to | - | - |
| Sales of services to | - | - |
| Total | - | - |
| b) Grants from the Government | | |
| Grants from County Government | 7,763,400 | 1,199,820 |
| Grants from the National Government Entities | - | - |
| Donations in kind | - | - |
| Total | 7,763,400 | 1,199,820 |
| c) Expenses incurred on behalf of related party | | |
| Payments of salaries and wages for employees | - | - |
| Payments for goods and services for | - | - |
| Total | - | - |
| d) Key management compensation | | |

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| Description | 2023/24 | 2022/23 |
|---------------------------------|------------------|------------------|
| | Kshs | Kshs |
| Directors' emoluments | - | - |
| Compensation to the medical Sup | - | - |
| Compensation to key management | - | - |
| Total | 7,763,400 | 1,199,820 |

45. Segment Information

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

46. Contingent Liabilities

| Contingent liabilities | 2023/24 | 2022/23 |
|---|----------|----------|
| | Kshs | Kshs |
| Court case against the hospital | - | - |
| Bank guarantees in favour of subsidiary | - | - |
| Total | - | - |

47. Capital Commitments

| Capital Commitments | 2023/24 | 2022/23 |
|-------------------------------|----------|----------|
| | Kshs | Kshs |
| Authorised For | - | - |
| Authorised And Contracted For | - | - |
| Total | - | - |

48. Events after the Reporting Period

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

49. Ultimate and Holding Entity

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

50. Currency

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

20. 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) |
|--|---|---|-----------------------------------|--|
| 1. | Unbalanced Statement of Financial Position The statement of financial position for the year under review reflects total assets of Kshs.149,793 and total liabilities Kshs.50,000 resulting in an unexplained difference of Kshs.99,793. | The management has amended the financial statements and the error has been corrected. | Resolved | October 2024 |
| 2. | Inaccuracies in the Financial Statements The statement of financial position for the year under review reflects Nil balance on accumulated surplus. However, the statement of financial performance reflects net | The management has amended the financial statements to correct the inaccuracies. | Resolved | October 2024 |

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| 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) |
|--|---|---|-----------------------------------|--|
| | surplus of Kshs.2,057,618 resulting in an unexplained variance of same amount. | | | |
| 3. | <p>Undisclosed of Property, Plant and Equipment Balance The statement of financial position reflects Nil balance on property plant and equipment for the year under review and as disclosed in Note 31 to the financial statements. However, physical verification carried out in the hospital revealed that the hospital has assets including land, buildings, motor vehicles and furniture and equipment which have not been valued and disclosed in the financial statements.</p> | The management is in the process of valuation of Property, Plant and Equipment for them to be included in financial statements. | Not Resolved | Process Ongoing |
| 4. | Undisclosed of inventories Balance | The management has amended the Financial statement and included | Resolved | October 2024 |

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| 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) |
|--|---|---|-----------------------------------|--|
| | <p>The statement of financial position reflects Nil balance on inventories and as disclosed in Note 30 to the financial statements. However, the Management did not undertake end year stock take of inventories to confirm existence and condition.</p> | <p>the closing stock has been included.</p> | | |
| 5. | <p>Lack of Board of Management. Review of records and processes revealed that Kalama level 4 hospital did not have Board of Directors /Board of Management. This is contrary to Health Act No.21 of 2017. which states that the entity shall be administered by a Board of the Board which shall consist of a chairperson appointed by the Cabinet Secretary who shall be a health</p> | <p>The management is in the process of appointing a Board of Management/Directors to comply with section 11 of the Machakos County Health Service Act 2021.</p> | Not Resolved | Process Ongoing |

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| 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) |
|--|---|---------------------|-----------------------------------|--|
| | professional who meets the requirements of Chapter six of the Constitution of Kenya. In the circumstances, Management is in breach of the Law. | | | |

Joel Mubiru

 Accounting Officer



Kalama Level 4 Hospital (Machakos County Government)
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Appendix II: Projects Implemented by The Entity

Projects

Projects implemented by the Hospital Funded by development partners

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

Status of Projects completion

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

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

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Appendix III: Inter-Entity Confirmation Letter

Name of Transferring entity: Machakos County Government

Name of Beneficiary entity: Kalama Level 4 hospital

| Confirmation of amounts received by [Kalama Level 4 Hospital] as at 30 th June (FY 2023/2024) | | | | | |
|--|----------------|------------------|-----------------|------------------|----------|
| Reference Number | Date Disbursed | Recurrent (A) | Development (B) | Total (C)=(A+B) | Remarks |
| | 18/08/2023 | 1,178,400 | - | 1,178,400 | Received |
| | 03/11/2023 | 1,500,000 | - | 1,500,000 | Received |
| | 17/11/2023 | 2,085,000 | - | 2,085,000 | Received |
| | 14/02/2024 | 2,000,000 | - | 2,000,000 | Received |
| | 20/06/2024 | 1,000,000 | - | 1,000,000 | Received |
| Total | | 7,763,400 | - | 7,763,400 | |

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

Head of Accounts Department - Disbursing Entity:

Name Eric Mito Sign [Signature] Date 29/12/24

Head of Accounts Department - Beneficiary Entity:

Name Eric Mito Sign [Signature] Date 29/12/24

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Appendix IV Reporting of Climate Relevant Expenditures

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

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Appendix V: Disaster Expenditure Reporting Template

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