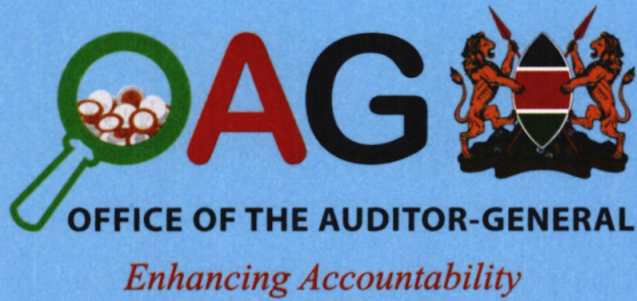


REPUBLIC OF KENYA



REPORT



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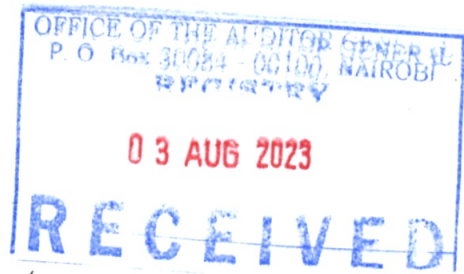
THE AUDITOR-GENERAL

ON

OTHAYA SUB-COUNTY HOSPITAL

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

COUNTY GOVERNMENT OF NYERI



OTHAYA SUB-COUNTY LEVEL 4 HOSPITAL (Nyeri County Government)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2022

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

Othaya Sub County Hospital (Nyeri County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

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I. Key Entity Information and Management

(a) Background information

Othaya Sub-County Hospital is a level (4) hospital established under gazette notice number Vol. CX-No. 65 dated 8th August 2008 and is domiciled in Nyeri County under the Health Department. The hospital is governed by a Board of Management.

(b) Principal Activities

The principal activity/mission/ mandate of the hospital is to provide preventive and curative health services.

Vision

An efficient and high quality health care system that is accessible, equitable and affordable for all.

Mission

To promote and provide quality integrated preventive, promotive, curative, rehabilitative and palliative services to all Nyeri county residents.

(c) Key Management

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

- County department of health
- Board of Management
- Accounting Officer/ Medical Superintendent
- Hospital Management Team

(d) Fiduciary Management

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

No	Designation	Name
1.	Medical Superintendent	Dr George Kiongo Maina
2.	Hospital Administrator	Cecelia Wanjiru Gichuki
3.	Head of supply chain	Timothy Murage Migwi
4.	Head of finance	James Karani

(e) Fiduciary Oversight Arrangements

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Annual Report and Financial Statements for The Year Ended 30th June 2022

- I. The County Assembly Finance Committee: This committee meets quarterly and scrutinises the hospital's revenue collection and waiver allocations within the quarter. It is also responsible for the approval of hospital charges in the county.
- II. Nyeri County Department of Internal Audit: An auditor from this department visits the facility once every year to assess whether the revenue collection, and budget implementation comply with the given financial laws and regulations
- III. Office of the Auditor General (OAG): Auditors from the Office of the Auditor General visit the facility every year to check if the books of accounting present a true and fair view of the financial statuses of the facility.

(f) Othaya Sub-county Hospital Headquarters

P.O. Box 83-10106,
OTHAYA TOWN,
OTHAYA, KENYA

(g) Othaya Sub-county Hospital Contacts

Telephone: (+254) 775672641/+254 738009850
E-mail: othayasdh@yahoo.com

(h) Othaya Sub-county Hospital Bankers

Cooperative Bank of Kenya
P.O. BOX 257-10106
OTHAYA

(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

P.O. Box. 1112-10100
Nyeri, Kenya

II. The Board of Management




Ref	Directors	Details
1.	 Robin Muriuki Ndegwa	Aged 49yrs, non-executive independent board chairperson. Key Qualifications: Bachelor of Arts in Political Science, certificate accounts for managers, certificate in leadership, and certificate in advanced management. Work Experience: worked for 13 years company management position.
2.	 Jones Mwinzi Ivuli	Aged 54yrs, non-executive independent board member. Key Qualifications: Bachelor of Business Administration Work Experience: worked for 16 years for NHIF.
3.	 Helen Wanjiru Mwangi	Aged 53yrs, non-executive independent board member. Key Qualifications: Certified Public Accountant 3 Section 6 Work Experience: worked as an accountant for 23 years.
4.	 [Name obscured]	Aged 57yrs, non-executive independent board member. Key Qualification: Bachelor in Biblical studies and community development outreach Work Experience: worked for 9 years as

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	Samwel Wataru Ng'ang'a	PEFA church overseer.
5.	 Nelly Wangari Muiruri	Aged 56yr, non- executive alternate board member. Key Qualifications: Masters in project management, Bachelor of science Nursing Work Experience: Has worked for 30 years
6	 Miriam Nyaguthii Rukwaro	Aged 63yrs, non-executive independent board member. Key Qualifications: Diploma in Clinical Medicine, higher Diploma in Clinical Medicine Paediatrics, master's in Public Health and Epidemiology and Diploma in Project Management Work Experience: worked as a clinical officer for 36 years
7	 Dr George Kiongo Maina	Aged 32yrs, executive independent ex-officio board member. Key Qualifications: Bachelor of Medicine and Surgery. Work Experience: worked for 5 years as a medical officer

*Othaya Sub County Hospital (Nyeri County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022*

III. Management Team

Ref	Management	Details
1.	 Dr. George Kiongo (Bachelor of Medicine and Surgery)	Overseeing overall operations of the hospital in service delivery, financing and implementation of activities.
2.	 Cecelia Wanjiru Gichuki (Diploma in Records management, Diploma in Business Management)	Overseeing administrative activities in the hospital.
	 Timothy Murage Migwi (Bachelor of procurement)	Overseeing procurement activities and storage of commodities.

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Annual Report and Financial Statements for The Year Ended 30th June 2022

3.	 <p>James Maina Karani (Bachelor of Economics, Certified Public Accountant of Kenya)</p>	Overseeing financial activities.
----	--	----------------------------------

IV. Chairman's Statement

I am delighted to present to you the financial report for the financial year 2021-2022. The hospital made progress in provision of both inpatient and outpatient services during the year.

The board of management endeavoured to embrace corporate governance to enable it deliver its mandate of providing strategic leadership and oversight in service delivery. The board recognize the valuable support provided by the leadership of the county department of health.

The enactment of the Nyeri County Health Services Fund and its implementation enabled the hospital to collect kshs 23,840,169 in revenue. The determination to see the health fund grow enabled growth in revenue collection and improvement in service delivery.

During the year construction of store for commodities was completed. Service delivery was affected by the COVID-19 pandemic that affected access to health care services in the facility. Stiff competition caused decline in number of NHIF clients on capitation.

The much needed support from the department of health enabled development of the hospital infrastructure and recruitment of human resource.


Robyn Muriuki Ndegwa

V. Report of The Chief Executive Officer

During the financial year 2021-2022, the hospital was steadfast in provision of quality affordable and accessible health care services. A total of 36,183 patients were treated in the outpatient departments and a total of 1,246 patients were treated as inpatients that included medical, maternity and COVID-19 patients. The enactment of the Nyeri County Health Fund Act 2021 saw the facility collect kshs 23,840,169. The fund was a game changer in improving turnaround time for accessing funds for prompt health care service delivery through prompt procurement and payment for goods and services.

The main challenges in service delivery included shortage of critical staff, the COVID-19 pandemic that reduced access to health care services. The containment measures saw reduction in number of clients accessing specialised clinics in outpatient and conversion of the facility to COVID-19 isolation centre reduced inpatient admissions.

During the year, the outpatient attendance by NHIF capitation clients reduced due to patients transferring to the neighbouring facility. This also reduced the admissions for NHIF clients and revenue accruing from management of NHIF clients.

The implementation of cashless payment system for all health care services received in the facility helped reduce financial risk associated with cash payment and prompt banking of revenue.

Activities geared towards continuous quality improvement and promotion for patient safety and infection prevention and control were carried out. Support supervision for various services including HIV/AIDS, TB, Maternal Child Health and non-communicable diseases were carried out. In infrastructure, maintenance and repair of medical equipment and station were done. In development, a storage facility for hospital commodities was completed at a cost kshs 2,995,444.80 The hospital is committed to improve its operations to enhance its performance and serve its clients better. We are committed to using available resources to improve service delivery.



George Kiongo

VI. 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.

Othaya sub-county hospital has *six* strategic policy objectives within the current Strategic Plan for the FY 2021- 2022. These strategic policy objectives are as follows;

1. Eliminate Communicable Conditions
2. Halt and reverse the rising burden of non-communicable conditions
3. Provide Essential Health Services
4. Reduce the burden of violence and injuries
5. Minimise exposure to health risk factors
6. Strengthen collaboration with health-related sectors

Othaya Sub-County hospital developed its annual work plans based on the above six policy objectives. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The hospital achieved its performance targets set for the FY 2021-2022 period for its six strategic policy objectives, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Target	Achievements
Service Delivery	Eliminate Communicable Conditions			
		Proportion HIV+ pregnant mothers receiving preventive ARV's to reduce risk of mother to child transmission (PMTCT)	100%	100%
		% Of children under 1 year of age fully immunized	84%	98%
		% Of children receiving three doses of Penta3 (containing vaccine (HIB/Hib/DPT3)	new	83%

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Annual Report and Financial Statements for The Year Ended 30th June 2022

		Number of newly diagnosed TB cases	65	151
		No. Of eligible HIV clients on ARVs	1430	1530
		No. Of children under five years treated for Diarrhea with ORS & Zinc	40	48
		Proportion of Pregnant Women receiving TT2 Plus immunization	600	656
		Total confirmed malaria cases [per 1,000 persons per year]	0	0
	Halt and Reverse Increase in Non-Communicable Conditions			
		No. Of Women of Reproductive Age screened for cervical cancer	700	573
		Number of new Outpatients with mental health conditions per 100,000 population	82	191
		Number of new Outpatients diagnosed with high blood pressure per 100,000 population	108	63
		Number of new Outpatients diagnosed with Diabetes per 100,000 population	23	31
		Proportion of adults OPD clients with BMI more than 25	400	6
	Reduce the Burden of Violence and Injuries			
		Road traffic injuries in OPD as a % of all diagnoses	126	98
		No. Of new outpatient cases attributed to other injuries	1275	1951

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		% Of Patients with injury related conditions dying in the facility	0	0
	Provide Essential Health Care			
		No Of Pregnant women attending at least 4 ANC visits	474	557
		No Of Women of reproductive age (WRA) receiving family planning (FP) commodities	4525	542
		No of deliveries conducted by skilled attendants in health facilities	742	493
		Number of children Under 5 dying in health facility	0	5
		Fresh Stillbirth rate per 1,000 births in health facilities	0	5
		Number of Facility Maternal deaths per 100,000 deliveries	0	0
		Proportion low birth weight in health facilities rate per 1,000 births	28	39
		Proportion of Children under 5 years attending Child Welfare Clinics for growth monitoring (new cases)	966	366
	Minimize exposure to health risk factors			
		Percentage of children 0-5 (<6 months) months who were exclusively breastfed	1900	1939
		Proportion of Children under 5 years attending Child Welfare Clinics who are under weight	802	485

Othaya Sub County Hospital (Nyeri County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

		Proportion of Children under 5 years attending Child Welfare Clinics who are stunted	0	328
	Strengthen Collaboration with Health-Related Sectors			
		No. meetings held with health related sectors	4	4

The targets were cascaded to departments and incorporated in the performance appraisal of the staff.

VII. Corporate Governance Statement

The hospital board members held eight planning meetings during the financial year 2021-2022. The members were appointed according to the Nyeri county health services act 2015. The chairperson is nominated by the CECM and appointed by the Governor. Board members representing organisations are nominated by their organisation for appointment by the CECM. The board members serve a term of three years and membership can be renewed for one final term of three years. The removal from office is guided by the Nyeri County Health Services Act 2015 third schedule section 6.

The functions of the board include providing oversight over the administration of the hospital, promoting the development of the hospital, approving plans and programs for implementing health strategies in the hospital, approving budget estimates, and carrying out other functions assigned by the executive secretary.

The board members were inducted and trained on their roles and responsibilities. The board members are paid allowances according to guidelines issued by the salaries and remuneration commission that include sitting allowance, transport allowance and lunch allowance.

Members declared any conflict of interest before conducting any business of the board for any direct or indirect interest in the outcome of the decision of the board.

VIII. Management Discussion and Analysis

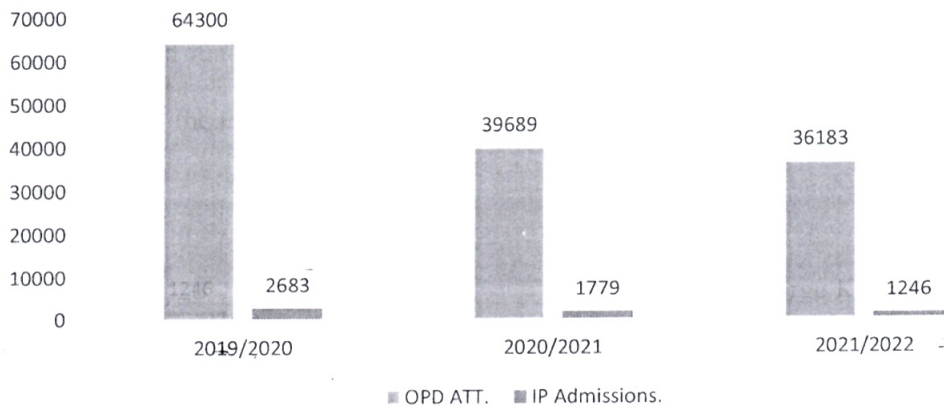
Clinical/operational performance

During the financial year 2021-2022 a total of 36, 183 patients were treated in the outpatient departments. This was 125% outpatient service utilization in a hospital catchment population of 29,011 persons during the year. A total of 1,246 patients were treated as inpatient for medical and maternity cases.

The inpatient service utilization was affected by conversion of the facility to a COVID -19 isolation centre to manage COVID-19 patients. The transition saw the number of patient admitted reduce compared to the previous year.

FY	OPD ATTENDANCE	INPATIENT Admissions.
2019/2020	64300	2683
2020/2021	39689	1779
2021/2022	36183	1246

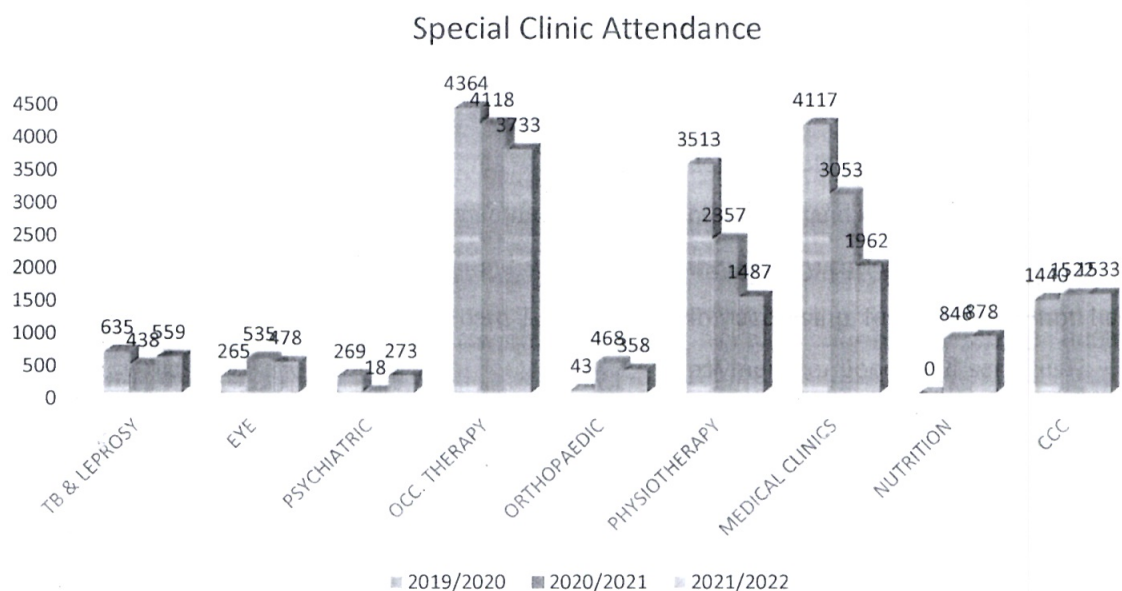
Outpatient Attendances



A total of 11,261 patients were treated in specialised clinics.

	TB & LEPROSY	EYE	PSYCHIA TRIC	OCC. THERAPY	ORTHOP AEDIC	PHYSIO THERAP Y	MEDICA L CLINICS	NUTRI TION	CCC
2019/2020	635	265	269	4364	43	3513	4117	0	1440
2020/2021	438	535	18	4118	468	2357	3053	846	1522
2021/2022	559	478	273	3733	358	1487	1962	878	1533

*Othaya Sub County Hospital (Nyeri County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022*



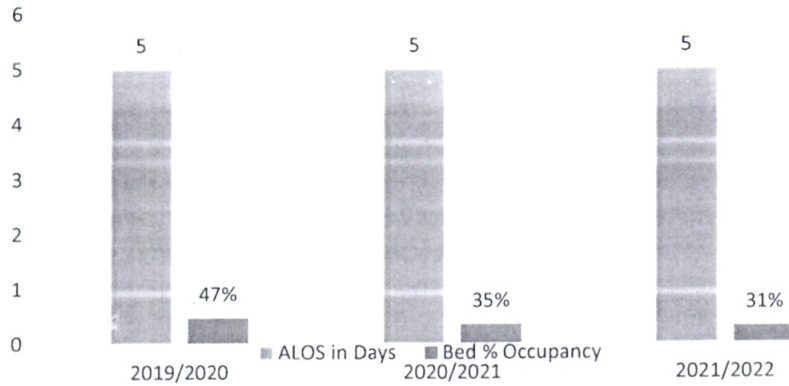
The total deaths in the year were 95 with a mortality rate of 3 deaths per 1000 persons. The hospital bed capacity for the year was 66 bed shared among paediatric medical, female medical, male medical and maternity. The reduction in bed capacity was due to conversion of one wing of medical ward to maternity ward.

FY	OUTPATIENT ATTENDANCE	MORTALITY	MORTALITY RATE	INPATIENT ADMISSION	BED CAPACITY
2019/2020	64300	97	2 death per 1000 persons	2683	77
2020/2021	39689	95	2 death per 1000 persons	1779	77
2021/2022	36183	95	3 death per 1000 persons	1246	66

The overall hospital bed occupancy was 31% and was affected by the conversion of the hospital to COVID-19 isolation centre.

	ALOS in Days	Bed % Occupancy
2019/2020	5	47%
2020/2021	5	35%
2021/2022	5	31%

Inpatient Occupancy data



Financial performance

The hospital generated revenue amounting to kshs 23,840,169 from user fees charged on patients during the year. The income was from cash paying clients and insurance companies mainly National Hospital Insurance Fund and Britam. The hospital also received kshs 9,000,000 transfer from the county government. By the close of the financial year the funds utilization was at 91%.

George Kiongo

IX. Environmental And Sustainability Reporting

Othaya Sub-County hospital exists to transform lives through provision of quality affordable equitable and accessible health care services. This is what guides us to deliver our strategy, putting the client/Citizen first, delivering health services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

i) Sustainability strategy and profile

The hospital endeavours to optimise outpatient attendance for maximum utilization of health services. Efforts have been made to increase hospital bed turn over and high bed occupancy for better utilization of hospital resources that consequently lead to improved revenue collection. In this regard, clinical audits and quarterly data review is done for corrective measures. Efforts have been made to optimize utilization of diagnostic services both medical and radiological to maximise revenue.

Customer satisfaction survey done to receive input from clients on areas of improvement in service delivery. Outreach activities are conducted especially in rehabilitative services to gain touch with clients.

ii) Environmental performance

The hospital adheres to infection prevention and control protocols. It has adopted minimization of medical waste generated. The waste is segregated at the point of generation using the right colour coded bins and bin liners. Proper personal protective equipment are used for handling, transportation and disposal. All waste is disposed according to the recommended procedures.

iii) Employee welfare

The hospital conducts continuous professional education for skills improvement. The staff are trained on short courses and recommendation made for staff to undertake farther training in their areas of specialization. Recommendation is made for re-designation of staff who have acquired higher qualifications.

Annual appraisal system has been adopted and staff are appraised on their performance. Staff are recognized for their good performance.

The hospital has put measures to frequently assess and improve the working environment for occupational safety in line with Occupational Safety and Health Act 2007.

iv) *Market place practices-*

a) *Responsible competition practice.*

The hospital has sensitized the hospital staff public officer's integrity and ethics, anti-corruption, principles of public service and professionalism in service delivery.

All procurement processes are done through competitive and in accordance with public procurement and disposal act 2015

b) *Responsible Supply chain and supplier relations*

The hospital adheres to terms of contracts entered into with contractors. It is committed to making payment for services rendered and goods received. Goods and services are procured for the available resources.

c) *Responsible marketing and advertisement*

The hospital adheres to the Medical Practitioners and Dentist (practitioners and health facilities) advertisement rules 2016.

The hospital embraces transparency in presentation of any information on goods and services. It has respect for consumer privacy and cultivates a culture of integrity in its operations.

d) *Product stewardship*

The hospital undertakes verification through inspection of products purchased for conformity the standards and specifications provided. Comparative information is sought on pricing of goods and services through market surveys.

v) *Corporate Social Responsibility / Community Engagements*

The hospital undertook community outreaches and seconded staff to participate in 2 medical camps held during the year.

X. Report of The Board of Management

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

Principal activities

The principal activities of the entity are provision of quality health care services

Results

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

Board Of Management

The members of the Board who served during the year are shown on page Vii to Viii. During the year 1 board member resigned.

Auditors

The Auditor General is responsible for the statutory audit of the Othaya Sub-county hospital in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the period ended June 30.

By Order of the Board



George Kiongo

XI. Statement of Board of Management's Responsibilities

Section 164(1) of the Public Finance Management Act, 2012 requires the Board of Management to prepare financial statements in respect of the hospital, which give a true and fair view of the state of affairs of the hospital at the end of the financial year/period and the operating results of the hospital for that year/period. The Board of Management is also required to ensure that the hospital keeps proper accounting records which disclose with reasonable accuracy the financial position of the hospital. The Board members are also responsible for safeguarding the assets of the hospital.

The Board of Management is responsible for the preparation and presentation of the hospital's financial statements, which give a true and fair view of the state of affairs of the hospital for and as at the end of the financial year (period) ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the hospital; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

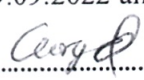
The Board of Management accepts responsibility for the hospital's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Board members are of the opinion that the hospital's financial statements give a true and fair view of the state of hospital's transactions during the financial year ended June 30, 2022, and of the hospital's financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the hospital, which have been relied upon in the preparation of the hospital's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Hospital's financial statements were approved by the Board on 29.09.2022 and signed on its behalf by:


Name: Robin Muriuki Ndegwa
Chairperson
Board of Management


Name: George Kiongo
Accounting Officer

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON OTHAYA SUB-COUNTY HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2022 - COUNTY GOVERNMENT OF NYERI

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Othaya Sub-County Hospital set out on pages 1 to 56, which comprise of the statement of financial position as at 30 June, 2022, and statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and

other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the basis for qualified opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Othaya Sub-County Hospital as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and Nyeri County Health Services Act 2015.

Basis for Qualified Opinion

1.0 Unsupported Revenue from Exchange Transactions

The statement of financial performance reflects income from exchange transaction-medical Services of Kshs.23,840,169 as disclosed in Note 11 to the financial statements. However, the monthly income schedules were not supported with departmental daily schedules, monthly departmental reconciliations, amount paid, write-offs, waivers, exemptions and amount banked.

In the circumstances, the accuracy and completeness of receipts from exchange transaction-medical services of Kshs.23,840,169 could not be confirmed.

2.0 Unsupported Employee Costs

The statement of financial performance and as disclosed in Note 16 to the financial statements reflects employee costs of Kshs.2,130,613. However, the expenditure was not supported with employee's schedule, contracts of employment, muster rolls and payment schedules.

In the circumstances, the accuracy, completeness and validity of employee costs could not be confirmed.

3.0 Cash and Cash equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.3,635,729. However, the cash book balance was not supported with cash survey report and was not reconciled with the bank balance of Kshs.11,546,392 resulting to an unreconciled variance of Kshs.7,910,662.

In the circumstance, the accuracy and completeness of the reported cash and cash equivalents balance of Kshs.3,635,729 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Othaya Sub-County 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. There were no key audit matters to report in the year under review.

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.55,529,127 and Kshs.41,493,255 respectively resulting to an under realization of the budget by Kshs.14,035,877 or 25% of the budget. Similarly, the actual expenditure reflects a balance of Kshs.38,082,041 against an approved budget of Kshs.55,529,127 resulting in an under expenditure of Kshs.17,447,086 or 31% of the budget.

The under realization budgeted revenue and budget under absorption affected the planned activities and may have impacted negatively on service delivery towards achieving universal health care.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

1. Non-Compliance with Public Sector Accounting Standards Board Templates

Contrary to the guidelines and templates prescribed by the Public Sector Accounting Standards Board for Public Sector Entities reporting under IPSAS Cash Financial Reporting Framework, the following errors and omissions were noted in the financial statements and the accompanying information provided for audit: -

- i. The page header was missing from the table of contents.
- ii. The footers to the financial statements refer to Notes set out on page 9 to 47 instead of pages 9 to 55.
- iii. The description of Note 22, 23 and 24 reflected in the statement of financial performance was inconsistent with the description at the disclosure notes.
- iv. Page 20, 42, 44 and 48 were left blank contrary to the template.
- v. The financial statement include guiding information in Appendix IV and V. In addition, the appendices were numbered pages 50 and 51 instead of 58 and 59 resulting in inconsistency in pagination.

In the circumstances, the financial statements do not conform to the format prescribed by the Public Sector Accounting Standard Board (PSASB).

2. Inadequacies in Universal Health Care Under Quality Health Model

Comparison of the Hospital operations against the requirements of the Quality Health Model revealed the following inadequacies;

2.1. Under Staffing of Health Workers

During the year under review, the Hospital had one Medical Officer contrary to 16 recommended by the Kenya quality model for health which represents a deficit of 94%. Further, the Hospital did not have an anesthesiologists, a general surgeons, a gynecologists, a pediatrics, and a radiologists. The Quality Health Model recommends two of each of the specialist representing 100% deficit. Further, Kenya Registered Community Health nurses were 36 from the recommended 75 representing a deficit of 52%.

2.2. Inadequate Services Offered in the Hospital

During the year under review, the Hospital only offered three fully operational services (in-patients with 77 beds, Radiology and tuberculosis Management) out of the ten surveyed. Further, Pediatric services was partially operational without a pediatrician, while surgical, gynecological, renal dialysis, mortuary and autopsy, advanced life support, caesarian sections and surgical operations services were not available.

2.3. Inadequate Operational Equipment

During the year under review, the Hospital had 77 inpatient beds from the recommended one hundred and fifty (150) beds representing 49% deficit. Further, the Hospital had no resuscitative unit in theater against the recommended one, and one in Labor ward against the recommended two, zero new born unit-incubators against the recommended five, zero new born unit cots against the recommended five, zero functional intensive care unit-beds against the recommended six, zero High dependency unit-beds from the recommended six and zero renal unit dialysis machines against the recommended five. In addition, the Hospital had no functional operating theaters Maternity and general against the recommended two.

2.4. Inadequate Operational Departments

During the year under review, the Hospital had only six operational departments out of the twenty-four recommended departments representing 79% deficit. The operational departments included: Laboratory Department Class D, Imaging Department, general Ward unit, dental Department, Infectious disease Department and Pediatric Department which was operational without a Pediatrician.

2.5. Inadequate Storage Facilities

During the year under review, the Hospital did not have sufficient space for orderly receipt, warehousing, and dispatch of food items, vaccines and drugs. The refrigerated and freezing storage environments were not fitted with signals to indicate that refrigeration had failed. In addition, there was no written procedures and programs for pest control and

appropriate written procedures for the clean-up of any spillage to ensure the complete removal of any risk of contamination was not available.

In the circumstances, the Hospital was not operating effectively towards achieving the universal health care under Quality Health Model

Basis for Conclusion

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

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

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and the Hospital Board of Management

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

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the

activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

13 October, 2022

Othaya Sub County Hospital (Nyeri County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

XIII. Statement of Financial Performance for The Year Ended 30 June 2022

Description	Notes	2021/22 Kshs
Revenue from non-exchange transactions		
Transfers from the County Government	6	9,000,000
In-kind contributions from the County Government	7	8,608,936
Grants from donors and development partners	8	
Transfers from other Government entities	9	
Public contributions and donations	10	
Total		17,608,936
Revenue from exchange transactions		
Rendering of services- Medical Service Income	11	23,840,169
Revenue from rent of facilities	12	
Finance /Interest Income	13	
Other income (<i>specify</i>)-Refunds and Reversals	14	44,150
Revenue from exchange transactions		23,884,319
Total revenue		41,493,255
Expenses		
Medical/Clinical costs	15	15,222,000
Employee costs	16	2,130,613
Board of Management Expenses	17	372,200
Depreciation and amortization expense	18	
Repairs and maintenance	19	1,298,520
22.4% Transfer To Nyeri County Health Fund	20	5,061,690
General expenses	21	12,753,679
Finance costs	22	
Total expenses		36,838,702
Other gains/(losses)		
Gain on disposal of non-Current assets	23	
Unrealized gain on fair value of investments	24	
Medical services contracts Gains/Losses(Waivers and Exemptions)	25	1,243,339
Impairment loss	26	
Total other gains/(losses)		1,243,339
Net Surplus for the year		3,411,214

Othaya Sub County Hospital (Nyeri County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

The notes set out on pages 9 to 47 form an integral part of the Annual Financial Statements.

The Hospital's financial statements were approved by the Board on 29 September, 2022 and signed on its behalf by:



.....

Chairman

Board of Management



.....

Head of Finance

ICPAK No: -18123



.....

Medical Superintendent

Othaya Sub Hospital (Nyeri County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

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

Description	Notes	2021/22 Kshs
Assets		
Current assets		
Cash and cash equivalents	27	3,635,729
Receivables from exchange transactions	28	126,800
Receivables from non-exchange transactions	29	
Inventories	30	
Total Current Assets		3,762,529
Non-current assets		
Property, plant, and equipment	31	
Intangible assets	32	
Investment property	33	
Total Non-current Assets		0
Total assets		3,762,529
Liabilities		
Current liabilities		
Trade and other payables	34	177,400
Refundable deposits from customers/Patients	35	
Provisions	36	
Finance lease obligation	37	
Current portion of deferred income	38	
Current portion of borrowings	39	
Total Current Liabilities		177,400
Non-current liabilities		
Provisions	36	
Non-Current Finance lease obligation	37	
Non-Current portion of deferred income	38	
Non - Current portion of borrowings	39	
Service concession liability	40	
Total Non-current liabilities		0
Total Liabilities		177,400
Net assets		3,585,129
Revaluation reserve		

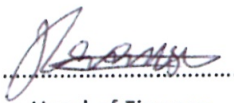
Othaya Sub Hospital (Nyeri County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

Description	Notes	2021/22 Kshs
Accumulated surplus/Deficit		3,411,214
Capital Fund		
Fund Balance B/F	24	173,915
Total Net Assets and Liabilities		3,585,129

(The notes set out on pages 9 to 47 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 29 September, 2022 and signed on its behalf by:


.....
Chairman
Board of Management


.....
Head of Finance
ICPAK No: 18123


.....
Medical Superintendent


Othaya Sub Hospital (Nyeri County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

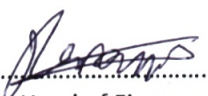
XV. Statement of Changes in Net Asset for The Year Ended 30 June 2022

	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2020				
Revaluation gain				
Surplus/(deficit) for the year				
Capital/Development grants				
As at June 30, 2021				
At July 1, 2021				
Revaluation gain				
Surplus/(deficit) for the year	-	3,411,214	-	3,411,214
Capital/Development grants	-	-		
At June 30, 2022		3,411,214	-	3,411,214

(The notes set out on pages 9 to 47 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 29-09-2022 and signed on its behalf by:


 Chairman
 Board of Management


 Head of Finance
 ICPAK No:- 18/23


 Medical Superintendent


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

Description	2021/22	
	Not e	Kshs
Cash flows from operating activities		
Receipts		
Transfers from the County Government	6	9,000,000
Grants from donors and development partners		
Transfers from other Government entities		
Public contributions and donations		
Rendering of services- Medical Service Income	11	23,840,169
Revenue from rent of facilities		
Finance / interest income		
Other receipts	14	44,150
Total Receipts		32,840,169
Payments		
Medical/Clinical costs	15	10,996,376
Waivers and exemptions	11	1,243,339
Board of Management Expenses	17	372,200
Repairs and maintenance	19	1,298,520
22.4% Transfer To Nyeri County Health Fund	20	5,061,690
General expenses	21	10,500,980
Add increase In payables	34	177,400
Less increase In receivables	28	(126,800)
Less Un-transferred Funds by Nyeri County Health Fund	22	(145,350)
Total Payments		29,378,355
Net cash flows from operating activities		3,461,814
Cash flows from investing activities		
Purchase of property, plant, equipment, & intangible assets		
Proceeds from the sale of property, plant, and equipment		
Acquisition of investments		
Net cash flows used in investing activities		
Cash flows from financing activities		
Proceeds from borrowings		
Repayment of borrowings		

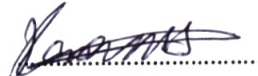
Othaya Sub Hospital (Nyeri County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

Description		2021/22
	Note	Kshs
Capital grants received		
Net cash flows used in financing activities		
Net increase/(decrease) in cash and cash equivalents		
Cash and cash equivalents at 1 July 2021	24	173,915
Cash and cash equivalents at 30 June 2022		3,635,729

The notes set out on pages 9 to 47 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 29-09-2022 and signed on its behalf by:



 Chairman
 Board of Management



 Head of Finance
 ICPAK No: -18123



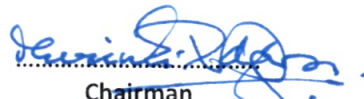
 Medical Superintendent


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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Transfers from the County Government	31,484,982	-	31,484,982	17,608,936	13,876,046	56%
Grants from donors and development partners						%
Transfers from other Government entities						%
Public contributions and donations						%
Rendering of services- Medical Service Income	24,000,000	-	24,000,000	23,840,169	159,831	99%
Other receipts	0		44,145	44,150	0	100%
Total income	55,484,982	-	55,529,127	41,493,255	14,035,877	75%
Expenses						
Transfer To Nyeri County Health Fund	5,376,000	-	5,376,000	5,061,690	-	94%
Medical/Clinical costs	15,222,000	-	15,222,000	15,222,000	-	100%
Employee costs	2,130,613	-	2,130,613	2,130,613	-	100%
Remuneration of directors	372,200	-	372,200	372,200	-	100%
Repairs and maintenance	1,298,520	-	1,298,520	1,298,520	-	100%
Grants and subsidies	17,088,631	44,145	17,132,776	0	17,132,776	0%
General expenses	12,753,679	-	12,753,679	12,753,679	-	100%
Waivers and Exemptions	1,243,339		1,243,339	1,243,339	-	%
Total Expenses	55,484,983	-	55,529,127	38,082,041	17,447,086	69%
Surplus for the period				3,411,214		%
Capital expenditure						%

Othaya Sub Hospital (Nyeri County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

The notes set out on pages 9 to 47 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 29-09-2022 and signed on its behalf by:


.....
Chairman
Board of Management


.....
Head of Finance
ICPAK No: -18123


.....
Medical Superintendent

XVIII. Notes To the Financial Statements

1. General Information

Othaya Sub county Hospital is established by and derives its authority and accountability from gazette notice number Vol CX-No 65 dated 8th August 2008. It is wholly owned by the Government of Kenya and is domiciled in Kenya. Its principal activity is provision of preventative and curative health services.

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 hospitals accounting policies. There were no areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the hospitals.

The financial statements have been prepared in accordance with the PFM Act 2012, and Nyeri County Health Fund 2015, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

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

Notes to the Financial Statements (Continued)

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

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

Othaya Sub County Hospital (Nyeri County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

Standard	Effective date and impact:
	<p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> ● <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> ● <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> ● IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>

Othaya Sub County Hospital (Nyeri County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

Standard	Effective date and impact:
IPSAS 43	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p>Applicable 1st January 2025</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>

ii. Early adoption of standards

The entity did not early – adopt any new or amended standards in the year 2021/2022

4. Summary Of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

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

Notes to the Financial Statements (Continued)

Revenue from exchange transactions

Rendering of services

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

Sale of goods

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

Interest income

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

Dividends

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

Rental income

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

Notes to the Financial Statements (Continued)

b) Budget information

The original budget for FY 2021/2022 was approved by Board on *11/06/2021*. 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 did not recorded additional appropriations on the FY 2021/2022 budget following the Board's approval. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under page 6 to 7 of these financial statements.

Notes to the Financial Statements (Continued)

c) Taxes

Sales tax/ Value Added Tax

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

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

d) Investment property

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

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a period of 6 years. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

e) Property, plant and equipment

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

Notes to the Financial Statements (Continued)

f) Leases

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

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

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

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

g) Intangible assets

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

Notes to the Financial Statements (Continued)

h) Research and development costs

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

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

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

i) Financial instruments

Financial assets

Initial recognition and measurement

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

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

Loans and receivables

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

Notes to the Financial Statements (Continued)

Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

Notes to the Financial Statements (Continued)

Loans and borrowing

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

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

i) Inventories

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

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

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

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

j) Provisions

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

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

Notes to the Financial Statements (Continued)

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

Contingent liabilities

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

Contingent assets

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

k) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. (The surplus at the statement of financial performance are transferred to retained reserves)

l) Changes in accounting policies and estimates

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

m) Employee benefits

Retirement benefit plans

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

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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.

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Notes to the Financial Statements (Continued)

n) Foreign currency transactions

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

o) Borrowing costs

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

p) Related parties

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

q) Service concession arrangements

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

Notes to the Financial Statements (Continued)

r) Cash and cash equivalents

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

s) Comparative figures

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

t) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

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

Notes to the Financial Statements (Continued)

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. There is no Additional disclosure of these estimates of provisions.

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.

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6. Transfers From The County Government

Description	2021/22
	KShs
Unconditional grants	
Operational grant	
Level 5 grants	
Other grants	
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	

6 Transfers from The County Government

Name of the Entity sending the grant	Amount recognized to Statement of financial performance KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	Total 2021/22
			KShs	KShs	KShs
Nyeri County Government	9,000,000				9,000,000
Total					

7. In Kind Contributions from The County Government

Description	2021/22
	KShs
Salaries and wages	2,130,613
Pharmaceutical and Non-Pharmaceutical Supplies	4,225,624
Medical supplies-Drawings Rights (KEMSA)	
Utility bills	2,252,700
Total grants in kind	8,608,937

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(These include payments made directly by the County Governments for staff salaries and medical drugs. were recorded both as income and expense

Notes to the Financial Statements (Continued)

8. Grants From Donors and Development Partners

Description	2021/22
	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
	KShs	KShs	KShs	KShs
Donor e.g., DANIDA				
JICA				
World Bank				
Total				

9. Transfers From Other Government Entities

Description	2021/22
	KShs
Transfer from National Government (Ministry of Health)	
Total Transfers	

10. Public Contributions and Donations

Description	2021/22
	KShs

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Public donations	
Donations from local leadership	
Donations from religious institutions	
Donations from other international organisations and individuals	
Total donations and sponsorships	

Notes to the Financial Statements (Continued)

10 (a) Reconciliations of amortised grants

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

11. Rendering of Services-Medical Service Income

Description	2021/22
	KShs
Revenue from the rendering of services	22,470,030
Unpaid NHIF C/F	126,800
Total	22,596,830
Add Waivers	227,810
Exemptions	1,015,529
Total Waivers and Exemptions	1,243,339
Total Revenue	23,840,169

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12. Revenue From Rent of Facilities

Description	2021/22
	KShs
Residential property	
Commercial property	
Total Revenue from rent of facilities	

13. Finance /Interest Income

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

Notes to the Financial Statements (Continued)

14. Other Income

Description	2021/22
	KShs
Insurance recoveries	
Income from sale of tender	
Services concession income	
Reversed payments	44,150
Total other income	44,150

15. Medical/ Clinical Costs

Description	2021/22
	KShs
Lab	1,189,335
Food and Ration	1,808,360
Dressings and non pharms	753,998
Pharmaceutical Supplies	7,118,389
Health Information Stationery	789,900

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Sanitary and Cleaning Materials	1,165,752
medical gases	1,572,060
x-ray	758,135
Other related medical costs	66,071
Total medical/ clinical costs-Expenditure	15,222,000
Payments Made in-Kind By County Government	4,225,624
Cash Outflow	10,996,376

16. Employee Costs

Description	2021/22
	KShs
Salaries, wages, and allowances	2,130,613
Contributions to pension schemes	
Service gratuity	
Employee costs	2,130,613

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Notes to the Financial Statements (Continued)

17. Board of Management Expenses

Description	2021/22
	KShs
Sitting and Mileage Allowance	372,200
Sitting allowance	
Mileage	
Total	372,200

18. Depreciation And Amortization Expense

Description	2021/22
	KShs
Property, plant and equipment	
Intangible assets	
Investment property carried at cost	
Total depreciation and amortization	

19. Repairs and Maintenance

Description	2021/22
	KShs
Property-Buildings	339,920
Medical Equipment	297,150
Furniture and Fittings	98,300
Maintenance of computers	179,700
Motor vehicle expenses	77,150
Maintenance of cilil works	306,300
Total repairs and maintenance	1,298,520

20. 22.4% Transfer to Nyeri County Health Fund

Description	2021/22
	KShs
Total Revenue collected	22,470,030
Unpaid NHIF Receipts C/F	126,800

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Total Revenue for the year	22,596,830
22.4% of Revenue	5,061,689

Notes to the Financial Statements (Continued)

21. General Expenses

Description	2021/22
	KShs
Advertising and publicity expenses	9,200
Catering expenses	517,570
Workshop tools	49,000
Bank charges	18,630
Beddings and Linen	6,750
Contracted guards services	1,401,600
Electricity expenses	4,542,699
Water and sewerage costs	1,000,000
Courier and postal services	19,450
General Office Supplies	991,481
Safety gear	55,000
Telephone and mobile phone services	130,000
Internet expenses	60,000
Fungicides	76,205
Daily Subsistence Allowance	838,750
Purchase of computers	125,000
Supply and accessories for computers	15,000
Purchase of office furniture	45,000
Purchase of exchange equipments	10,000
Purchase of software	10,500
Other fuels	778,840
Fuel and Lubricants	2,002,554
Household Appliances	50,450
Total General Expenses	12,753,680
Payments in-Kind By County Government	2,252,700
Cash Outflow	10,500,980

Notes to the Financial Statements (Continued)

22. Transfers from Nyeri County Health Services Fund

Description	2021/22
	KShs
Total Revenue collected	22,470,030
AIE's Received	22,324,680
Total Un-transferred Funds	145,350

23. Other Receipts

Description	2021/22
	KShs
Refunds and Reversals	44,150
Total	44,150

24. Fund Balance B/F

Description	2021/22
	KShs
Cash at Hand as of 1 July 2021	173,915
Total	

25. Medical Services Contracts Gains /Losses

Description	2021/22
	KShs
Comprehensive care contracts with NHIF	
Non- Comprehensive contracts care with NHIF	
Linda Mama Program	

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Waivers and Exemptions	1,243,339
Total Gain/Loss	1,243,339

26. Impairment Loss

Description	2021/22
	KShs
Property, plant, and equipment	
Intangible assets	
Total impairment loss	

Notes to the Financial Statements (Continued)

27. Cash And Cash Equivalents

Description	2021/22
	KShs
Current accounts	3,635,730
On - call deposits	
Fixed deposits accounts	
Cash in hand	
Others(<i>specify</i>)- Mobile money	
Total cash and cash equivalents	3,635,730

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

Description		2021/22
Financial institution	Account number	KShs
a) Current account		
Kenya Commercial bank		
Equity Bank, etc		
Cooperative Bank	01141509888200	3,635,730
Sub- total		
b) On - call deposits		
Kenya Commercial bank		
Equity Bank – etc		
Sub- total		
c) Fixed deposits account		
Bank Name		
Sub- total		
d) Others(<i>specify</i>)		

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cash in hand		
Mobile money- Mpesa, Airtel money		
Sub- total		
Grand total		3,635,730

28. Receivables From Exchange Transactions

Description	2021/22
	KShs
Medical services receivables	126,800
Total receivables	126,800

Notes to the Financial Statements (Continued)

29. Receivables From Non-Exchange Transactions

Description	2021/22
	KShs
Transfers from the County Government	
Undisbursed donor funds	
Other debtors (<i>non-exchange transactions</i>)	
Less: impairment allowance	
Total	

30. Inventories

Description	2021/22
	KShs
Pharmaceutical supplies	
Food supplies	
Lab Supplies	
Cleaning materials supplies	
General office supplies	
Non Pharms	
Less: provision for impairment of stocks	
Total	

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Notes to the Financial Statements (Continued)

31. Property, Plant and Equipment

Description and impairment	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
At July 2020	Shs		Shs	Shs	Shs	Shs	Shs	Shs
Cost								
At 1 July 2020								
Additions								
Disposals								
Transfers/adjustments								
At 30th June 2021								
At 1 st July 2021								
Additions								
Disposals								
Transfer/adjustments								
At 30th June 2022								
Depreciation and impairment								
At 1 July 2020								
Depreciation for the year								
Disposals								

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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
Impairment								
At 30 June 2021								
At July 2021								
Depreciation								
Disposals								
Impairment								
Transfer/adjustment								
At 30 th June 2022								
Net book values								
At 30 th June 2021								
At 30 th June 2022								

Notes to the Financial Statements (Continued)

32. Intangible Assets-Software

Description	2021/22
	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	2021/22
	KShs
At beginning of the year	
Additions	
Fair value gain	
Depreciation (<i>where investment property is at cost</i>)	
At end of the year	

34. Trade and Other Payables

Description	2021/22
	KShs
Trade payables	177,400
Employee dues	
Third-party payments (<i>unremitted payroll deductions</i>)	
Audit fee	

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Doctors' fee	
Total trade and other payables	177,400

Notes to the Financial Statements (Continued)

35. Refundable Deposits from Customers/Patients

Description	2021/22
	KShs
Medical fees paid in advance	
Credit facility deposit	
Rent deposits	
Others (<i>specify</i>)	
Total deposits	

36. Provisions

Description	Other provision	Total	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	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	2021/22
	Kshs
Current Lease obligation	
Long term lease obligation	
Total	

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Notes to the Financial Statements (Continued)

38. Deferred Income

Description	2021/22
	KShs
Current Portion	
Non-Current Portion	
Total	

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

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

39. Borrowings

Description	2021/22
	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	

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Notes to the Financial Statements (Continued)

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

Description	2021/22
	KShs
Current Obligation	
Non-Current Obligation	
Total	

40. Service Concession Arrangements

Description	2021/22
	KShs
Fair value of service concession assets recognized under PPE	
Accumulated depreciation to date	
Net carrying amount	
Service concession liability at beginning of the year	
Service concession revenue recognized	
Service concession liability at end of the year	

41. Cash Generated from Operations

	2021/22
Surplus for the year before tax	KShs
Adjusted for:	
Depreciation	
Non-cash grants received	
Impairment	
Gains and losses on disposal of assets	
Contribution to provisions	
Contribution to impairment allowance	
Working Capital adjustments	
Increase in inventory	
Increase in receivables	
Increase in deferred income	
Increase in payables	
Increase in payments received in advance	
Net cash flow from operating activities	

Notes to the Financial Statements (Continued)

42. Financial Risk Management

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

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

(i) Credit risk

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

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Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2021				
Receivables from exchange transactions	0			
Receivables from –non-exchange transactions				
Bank balances				
Total				
At 30 June 2022				
Receivables from exchange transactions	126,800			
Receivables from –non-exchange transactions	0			
Bank balances	3,635,730			
Total	3,762,530			

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has no significant concentration of credit risk. The board of management sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

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

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

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	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2021				
Trade payables				
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
Total				
At 30 June 2022				
Trade payables	177,400			
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
Total	177,400			

(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.

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

a) Foreign currency risk

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

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

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

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

Notes to the Financial Statements (Continued)

Foreign currency sensitivity analysis

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

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2021			
Euro	10%		
USD	10%		
2022			
Euro	10%		
USD	10%		

Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

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Using the end of the year figures, the sensitivity analysis indicates no impact on the statement of financial performance if current floating interest rates increase/decrease by one percentage

iv) Capital Risk Management

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

	2021/22
	Kshs
Revaluation reserve	
Retained earnings	
Capital reserve	
Total funds	
Total borrowings	0
Less: cash and bank balances	(3,635,730)
Net debt/ <i>(excess cash and cash equivalents)</i>	3,635,730
Gearing	%

43. Related Party Balances

Nature of related party relationships

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

County Government of Nyeri

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

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- i) The Nyeri County Health Department;
- ii) The Nyeri County Department of Finance;
- iii) Nyeri County Procurement Department;
- iv) Kenya Poisons Board;
- v) Key management;
- vi) Board of directors;

Description	2021/22
	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	9,000,000
Grants from the National Government Entities	0
Donations in kind	0
- Salaries and wages	2,130,613
- Pharmaceutical and Non-Pharmaceutical Supplies	4,225,624
- Medical supplies-Drawings Rights (KEMSA)	0
- Utility bills	2,252,700
- Salaries and wages	
Total	17,608,937
c) Expenses incurred on behalf of related party	
Key management compensation	
Directors' emoluments	
Compensation to the medical Sup	
Compensation to key management	

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Total	
d)	

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Notes to the Financial Statements (Continued)

44. 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)

45. Contingent Liabilities

Contingent liabilities	2021/22
	Kshs
Court case against the company	
Bank guarantees in favour of subsidiary	
Total	

46. Capital Commitments

Capital Commitments	2021/22
	Kshs
Authorised For	
Authorised And Contracted For	
Total	

47. Events After The Reporting Period

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

48. Ultimate And Holding Entity

The entity is a Hospital under the County Government of Nyeri. Its ultimate parent is the Department of Health in Nyeri County.

49. Currency

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

XIX. 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)

(i) No Prior Year issues-first Time reporting

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 Accounting Officer

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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

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

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APPENDIX IV: Inter-Entity Confirmation Letter

[Insert your Letterhead]

[Insert name of beneficiary entity]

[Insert Address]

The *[insert SC/SAGA/Fund name here]* wishes to confirm the amounts disbursed to you as at 30th June 2022 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below. Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by [Insert name of beneficiary entity] as at 30 th June 2022							
Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (KShs) as at 30th June 2022				Amount Received by [beneficiary entity] (KShs) as at 30 th June 2021 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
Total							

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

Head of Accountants department of beneficiary entity:

Name SignDate

APPENDIX V Reporting of Climate Relevant Expenditures

Name of the Organization

Telephone Number

Email Address

Name of Medical Supp/MD/Head

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

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