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REPORT

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REPORTING OFFICER	A. Madawa

THE AUDITOR-GENERAL

ON

MWINGI LEVEL 4 HOSPITAL

FOR THE YEAR ENDED
30 JUNE, 2022

COUNTY GOVERNMENT OF KITUI



MWINGI LEVEL 4 HOSPITAL (KITUI COUNTY GOVERNMENT)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2022

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

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I. Key Entity Information and Management

(a) Background information

Mwingi Hospital is a level 4 hospital established under gazette notice number 00 and is domiciled in Kitui 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 health services to the people of Kitui and Government of Kenya at whole.

(c) Key Management

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

- County department of health
- Board of Management
- Accounting Officer/ Medical Superintendent
- Management
- Others (*specify*)

(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.	Chief Officer Finance	-Dr. Justus Kalii
2.	CECM Finance	-Ben Katungi
3.	Chief Officer Health	-Kioko Kiilu
4.	CECM Health	-Winnie Kitetu
5.	Medical Superintendent	-Dr.Evans Mumo

(e) Fiduciary Oversight Arrangements

- Clinical Research and Standards Committee.
- Audit committee
- Risk Committee
- County Assembly
- Parliamentary committees
- Other oversight committees

(f) Entity Headquarters

P.O. Box 16-90400
CHMT Building
KITUI HOSPITAL Road
KITUI, KENYA

(g) Entity Contacts

Telephone: (+254) 722643916
E-mail: mwingimedsupt@yahoo.com
Website: www.kitui.go.ke

(h) Entity Bankers

Commercial Banks (*Kenya Commercial Bank*)

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

(k) County Attorney

P.O. Box.33-90200
KITUI, Kenya

II. The Board of Management

Ref	Directors	Details
1.	Stephen Mulwa Kitambo	Chairman
2.	Alex Mutemi	Sub County Administrator
3.	Salee Musili Muvita	Business Community Rep
4.	Patrick Ndue Kitema	Professional Groups Rep
5.	Lydia Muthili Kimanzi	Active Women Group Rep
6.	Dr. Evans Mumo	Hospital Secretary
7.	Mwendwa Mwaniki	FBO Rep
8.	Sophia Abdalah	Youth through National Youth Council (NYC) Rep
9.	David Kitengu	PLWDs

III. Management Team

Ref	Management	Details
1.	Dr. Evans Mumo	Medical Superintendent
2.	CPA. Denis Kimanzi	Accountant
3.	Tony Musyimi	Hospital Administrator
4	Pius Muinde	Procurement Officer
5.	Regina Kyambia	Nursing Officer In charge

IV. Chairman's Statement

V. Report of The Chief Executive Officer

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.

MWINGI LEVEL IV HOSPITAL has *X* strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY xx- FY xx. These strategic pillars/ themes/ issues are as follows;

Pillar /theme/issue 1:

Pillar/theme/issue 2:

MWINGI LEVEL IV HOSPITAL develops its annual work plans based on the above *X* pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The *MWINGI LEVEL IV HOSPITAL* achieved its performance targets set for the FY 2021/2022 period for its xx strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar/ theme/ issue 1:				
Pillar/ theme/ issue 1:				

VII. Corporate Governance Statement

VIII. Management Discussion and Analysis

The management should make use of tables, graphs, pie charts and other descriptive tools to make the information as understandable as possible. The information should show a trend for the last three years. Some of the details to be included under this section are;

Clinical/operational performance

- Bed capacity of the hospital.
- Overall patient attendance during the year for both inpatient and outpatient.
- Accident and Emergency attendance
- Specialised clinic attendance
- Average length of stay for in patient
- Bed occupancy rate
- Mortality rate
- Surgical theatre utilisation (number of operations over a period of time)
- Sponsorships and partnerships

Financial performance that includes

- revenue sources,
- utilisation of funds etc

IX. Environmental and Sustainability Reporting

MWINGI LEVEL IV HOSPITAL exists to transform lives. It's what guides us to deliver our strategy, putting the client/Citizen first, delivering health services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability. (*Tailor make as appropriate*).

i) Sustainability strategy and profile

The top management especially the accounting officer should make reference to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failure.

ii) Environmental performance

Outline clearly, environmental policy guiding the organisation, provide evidence of the policy. Outline successes, shortcomings, efforts to manage biodiversity, waste management policy and efforts to reduce environmental impact of the organisation's products.

iii) Employee welfare

Give account of the policies guiding the hiring process and whether they take into account the gender ratio, whether they take in stakeholder engagements and how often they are improved. Explain efforts made in improving skills and managing careers, appraisal and reward systems. The organisation should also disclose their policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA.)

iv) Market place practices-

The organisation should outline its efforts to:

a) Responsible competition practice.

Explain how the organisation ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition, and respect for competitors.

b) Responsible Supply chain and supplier relations

Explain how the organisation maintains good business practices, and treats its own suppliers responsibly by honouring contracts and respecting payment practices.

c) Responsible marketing and advertisement

Outline efforts to maintain ethical marketing practices.

d) Product stewardship

Outline efforts to safeguard consumer rights and interests.

v) Corporate Social Responsibility / Community Engagements

The organisation gives details of CSR activities carried out in the year and the impact to the society. Give evidence of community engagement including charitable giving (cash and material), Corporate Social Investment and other forms of community engagements.

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 **Mwingi Level IV Hospital** affairs.

Principal activities

The principal activities of the entity are provision of high quality medical health care services to the patients, patients support and administration.

Results

The results of the entity for the year ended June 30, 2022 are set out on page XIV to page 8

Board of Management

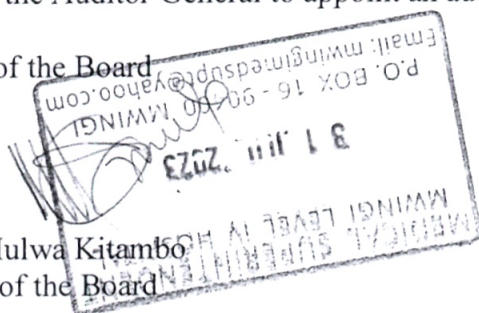
The members of the Board who served during the year are shown on page Vii. During the year no director retired/ resigned and no one was appointed.

Auditors

The Auditor General is responsible for the statutory audit of the Mwingi Level IV Hospital in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 or XYZ Certified Public Accountants were nominated by the Auditor General to carry out the audit of Mwingi Level IV Hospital for the year/period ended June 30, 00 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board

Stephen Mulwa Kitambo
Chairman of the Board



XI. Statement of Board of Management's Responsibilities

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

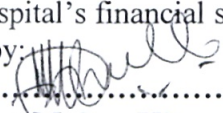
The Board of Managements responsible for the preparation and presentation of the *entity's* financial statements, which give a true and fair view of the state of affairs of the *entity* for and as at the end of the financial year (period) ended on June 30, 2022. This responsibility includes: (i) maintaining 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 *entity*; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

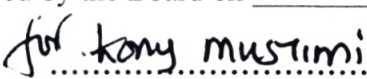
The Board of Management accepts responsibility for the *entity's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the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

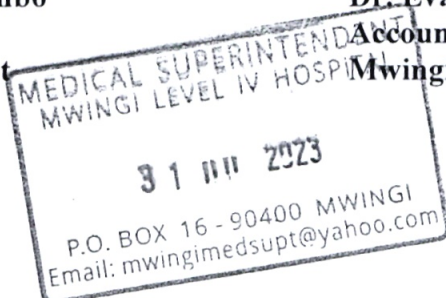
Nothing has come to the attention of the Board of management to indicate that the *entity* will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

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


.....
Stephen Mulwa Kitambo
Chairperson
Board of Management


.....
Dr. Evans Mumo
Accounting Officer
Mwingi Level IV Hospital



REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON MWINGI LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2022 - COUNTY GOVERNMENT OF KITUI

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such Hospitals are applied for the intended purpose.
- 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 by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Mwingi Level 4 Hospital - County Government of Kitui set out on pages 1 to 52, which comprise the statement of financial position as at 30 June, 2022 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Mwingi Level 4 Hospital - County Government of Kitui 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 County Government Act, 2012 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Failure to Comply with the PSASB Template in the Presentation and Disclosures in the Financial Statements

The annual reports and the financial statements prepared and presented for audit had the following errors and omissions: -

- i. Under board of directors: director's photo, name and key profession/academic qualifications have not been indicated;
- ii. Under management team: key manager's photo name, and key profession/academic qualifications have not been indicated;
- iii. The chairman's statement is not included in the report;
- iv. The report of the chief executive officer has been omitted;
- v. Statement of performance against predetermined objectives is not included;
- vi. Corporate governance statement is not updated ;
- vii. Management discussion and analysis is not updated;
- viii. Environmental and sustainability reporting is not updated;
- ix. Report of the board of management is not updated;
- x. Statement of board of management's responsibilities not updated;

- xi. The notes to the financial statements were not adequately documented as per the public sector accounting standard board templates;
- xii. The statement of financial position is imbalanced; and
- xiii. The statement of net changes in assets reflects nil balances yet the Hospital has a surplus in the statement of financial performance. Further, the statement of financial position is imbalanced.

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

2. Undisclosed Revenue from Exchange Transactions

The statement of financial performance and as disclosed in Note 6 to the financial statements reflects revenue from non-exchange transaction transfers from County Government of Kshs.127,028,444. However, review of the documents maintained at the hospital revealed revenue collections of Kshs.72,212,270 and Kshs.10,028,850 from medical services fees and National Hospital Insurance Fund respectively which have not been reported in the financial statements. The amounts were banked directly in the County Government bank accounts.

In addition, the own generated schedules provided revealed Kshs.18,951,401 for services provided to patients under the Kitui County Health Insurance Cover for the financial year 2021/2022. However, no supporting documentation or information was provided on whether the amounts were consolidated into the capital fund account or not.

In the circumstances, the accuracy and completeness of the total revenue amounting to Kshs.127,028,444 for the year ended 30 June, 2022 could not be confirmed

3. Undisclosed Property, Plant and Equipment

The statement of financial position and as disclosed in Note 31 to the financial statements reflects Nil balance in respect of property, plant and equipment. However, the facility had movable and non-movable assets of undetermined value relating to land, buildings, furniture and fittings and computers which were not valued and undisclosed in financial statements.

In the circumstances, the accuracy and completeness of the property, plant and equipment Nil balance as at 30 June, 2022 could not be ascertained.

4. Undisclosed Trade and Other Payables

The statement of financial position reflects Nil balance under trade and other payables for the year ending 30 June, 2022. However, examination of the hospital records provided for audit review revealed that for the year under review the hospital had trade payables totalling Kshs.44,886,224 which were not disclosed in a form of a Note to the financial statements. Management did not provide aging analysis of the various creditor balances. Further, Management did not demonstrate measures put in place to ensure bills are paid

in time to avoid further accumulation and finally paying of huge amounts of interest on principal amounts.

In addition, the payables were not captured in the budget and did not form first charge as per the requirement of the Public Procurement and Asset Disposal, 2020 139(7) On receipt of an invoice or a fee note which require that a procuring entity shall make payment on first come first paid basis.

In the circumstances, the accuracy of the Nil balance of trade and other payables as at 30 June, 2022 could not be confirmed.

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Irregular Procurement of Goods and Services

The statement of financial performance reflects total payments totaling Kshs.130,862,341. Review of the documents provided for audit verification revealed an amount of Kshs.89,427,384 on expenditure was payments for procurement of goods and services. Management stated they used suppliers provided by the County Government of Kitui. However, Management did not provide a list of prequalified suppliers for audit review.

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

2. Non-Compliance with Kenya Quality Model for Health Policy Guidelines

The statement of financial performance and as disclosed in Note 16 to the financial statements reflect employee costs of Kshs.29,978,947. A review of the records in the hospital and analysis of healthcare staffing, interviews and physical verifications of medical equipment's available at the facility revealed that the facility had shortage of health workers with deficit of 6 medical officers, 15 Community Health Nurses and had no radiologists and no anesthetic at the facility. Further the hospital did not have functional intensive care Unit beds, high dependency unit Beds and did not have a renal unit.

These deficiencies contravene the First Schedule of Health Act, 2017 and which implies that accessing highest attainable standard of health, which includes the right to health care services, including reproductive health care as required by Article 43(1) of the Constitution of Kenya, 2010 may not be achieved. Further this contravened the Kenya Quality Model for Health Policy Guidelines for Level 4 hospital and may have hindered the realization of the government program on Universal Health Coverage (UHC).

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

3. Weak Controls on Inventories - Pharmaceuticals and Non-pharmaceuticals

Physical verification of the hospital storage rooms for pharmaceutical and non-pharmaceutical products revealed that the hospital does not have adequate storage space and medical products. Further, expired drugs of undetermined value at the facility could not be confirmed as they were not valued in the hospital. In addition, the Hospital's pharmacy was not registered with the Pharmacy and Poisons Board (PPB).

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

4. Lack of Approved Budget

The statement of comparison of budget and actual amounts for the year ended 30 June, 2022 reflects total expenditure of Kshs.130,862,341, however the hospital did not provide the annual approved budget for audit.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on

Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Lack of Entity Asset Information

Review of the hospital records provided for audit and inspection done within the hospital indicated that the hospital had items of plant, property and equipment, freehold land, buildings, motor vehicle that were not valued for inclusion in the statement of financial position. This is contrary to Regulation 170(1) of the Public Procurement and Asset Disposal Regulation, 2020 which provides that an Accounting Officer of a procuring entity shall be responsible for maintaining a register of assets under his or her control or possession. Further, the land on which the hospital is built, and the developments therein did not have ownership documents. In addition, the hospital did not have updated asset register.

In the circumstances, the internal controls over asset management could not be confirmed

2. Lack of Risk Management Policy

During the year under review, the hospital did not have a risk management policy in place contrary to the provisions of Section 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall ensure that (a) the county government entity develops risk management strategies, which include fraud prevention mechanism; and (b) the county government entity develops a system of risk management and internal control that builds robust business operations.

3. Lack of Internal Audit Function and Committee

During the year under review, it was noted that the facility did not have an internal audit function to perform risk assessment processes and evaluation of operational effectiveness of the hospital through reviews of the internal controls in the company, thus risks may not have been identified and mitigated. In addition, there was no internal audit committee in place.

In the circumstances, the hospital is unable to define its risk appetite and set its risk tolerance levels. In addition, the hospital is also unable to identify, prevent and mitigate disasters for continuity of operational effectiveness.

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal 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 its services, disclosing, as applicable, matters related to sustainability of services unless Management is aware of the intention to terminate the Hospital or to cease operations.

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

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

Those charged with governance are 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in

an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall 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 non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Hospital's 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 appropriate 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 controls that are identified during the audit.

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

25 September, 2023

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

Description	Notes	2021/22	2020/21
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	6	119,822,824.00	0
In-kind contributions from the County Government	7	0	0
Grants from donors and development partners	8	0	0
Transfers from other Government entities	9	0	0
Public contributions and donations	10	0	0
		119,822,824.00	0
Revenue from exchange transactions			
Rendering of services- Medical Service Income	11	71,497,026.00	00
Revenue from rent of facilities	12	00	00
Finance /Interest Income	13	00	00
Other income (<i>specify</i>)	14	00	00
Revenue from exchange transactions		71,497,026.00	00
Total revenue		191,319,850.00	00
Expenses			
Medical/Clinical costs	15	52,363,732.00	00
Employee costs(casual wages)	16	30,770,837.00	00
Board of Management Expenses	17	0	00
Depreciation and amortization expense	18	0	00
Repairs and maintenance(buildings)	19	10,877,306.00	00
Grants and subsidies	20		
General expenses	21	30,842,012.00	00
Finance costs	22(a)	0	00
Transfers to the County Government	22(b)	71,497,026.00	

Total expenses		195,110,193.00	00
Other gains/(losses)			
Gain on disposal of non-Current assets	23	00	00
Unrealized gain on fair value of investments	24	00	00
Medical services contracts Gains/Losses	25	00	00
Impairment loss	26	00	00
Gain on foreign exchange transactions		00	00
Total other gains/(losses)		00	00
Net Surplus for the year		-3,790,343.00	00
Attributable to:			00
Surplus/(deficit) attributable to minority interest		00	00
Surplus attributable to owners of the controlling entity		00	00
		-3,790,343.00	00

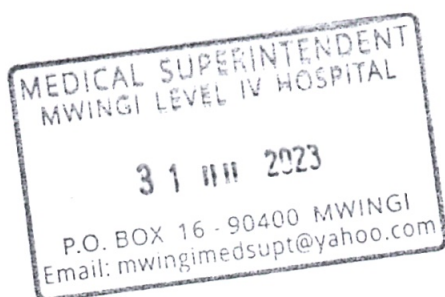
The notes set out on pages 1 to 43 form an integral part of the Annual Financial Statements.

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

.....
Stephen Mulwa Kitambo
Chairman
Board of Management

.....
Dennis Kimanzi
Head of Finance
ICPAK No: i6543

for kony musyimi
.....
DR. Evans Mumo
Medical Superintendent
Mwingi Level IV



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

Description	Notes	2021/22	2020/21
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	27	260,980.51	00
Receivables from exchange transactions	28	00	00
Receivables from non-exchange transactions	29	00	00
Inventories	30	00	00
Total Current Assets		260,980.51	00
Non-current assets			
Property, plant, and equipment	31	00	00
Intangible assets	32	00	00
Investment property	33	00	00
Total Non-current Assets		00	00
Total assets		260,980.51	00
Liabilities			
Current liabilities			
Trade and other payables	34	00	00
Refundable deposits from customers/Patients	35	00	00
Provisions	36	00	00
Finance lease obligation	37	00	00
Current portion of deferred income	38	00	00
Current portion of borrowings	39	00	00
Total Current Liabilities		00	00
Non-current liabilities			
Provisions	36	00	00
Non-Current Finance lease obligation	37	00	00
Non-Current portion of deferred income	38	00	00
Non - Current portion of borrowings	39	00	00
Service concession liability	40	00	00
Total Non-current liabilities		00	00
Total Liabilities		00	00

Description	Notes	2021/22	2020/21
		Kshs	Kshs
Net assets			
Revaluation reserve		00	00
Accumulated surplus/Deficit		00	00
Capital Fund		00	00
		00	00
Total Net Assets and Liabilities		260,980.51	00

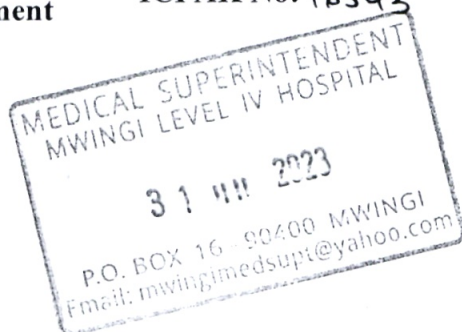
The notes set out on pages 1 to 43 form an integral part of the Annual Financial Statements.

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

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Stephen Mulwa Kitambo
Chairman
Board of Management

.....
Dennis Kimanzi
Head of Finance
ICPAK No: 16543

.....
DR. Evans Mumo
Medical Superintendent
Mwingi Level IV



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	00	00	00	00
Revaluation gain	00	-	-	00
Surplus/(deficit) for the year	-	00	-	00
Capital/Development grants	-	-	00	00
As at June 30, 2021	00	00	00	00
At July 1, 2021	00	00	00	00
Revaluation gain	00	-	-	00
Surplus/(deficit) for the year	-	-3,790,343.00	-	-3,790,343.00
Capital/Development grants	-	-	00	00
At June 30, 2022	00	-3,790,343.00	00	-3,790,343.00

The notes set out on pages 1 to 43 form an integral part of the Annual Financial Statements.

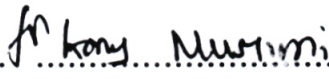
The Hospital's financial statements were approved by the Board on _____ and signed on its behalf by:



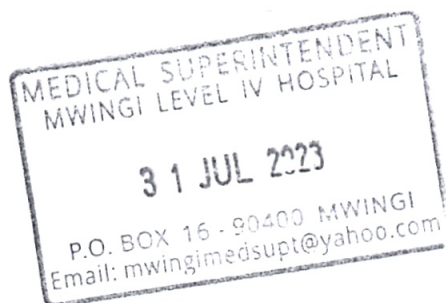
Stephen Mulwa Kitambo
Chairman
Board of Management



Dennis Kimanzi
Head of Finance
ICPAK No: 16543



DR. Evans Mumo
Medical Superintendent
Mwingi Level IV



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

Description		2021/22	2020/21
	Note	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government		119,822,824.00	00
Grants from donors and development partners		00	00
Transfers from other Government entities		00	00
Public contributions and donations		00	00
Rendering of services- Medical Service Income		71,497,026.00	00
Revenue from rent of facilities		00	00
Finance / interest income		00	00
Other receipts(<i>specify</i>)		00	00
Total Receipts		191,319,850.00	00
Payments			
Medical/Clinical costs		52,363,732.00	00
Employee costs		30,770,837.00	00
Board of Management Expenses		00	00
Repairs and maintenance		10,877,306.00	00
Grants and subsidies		00	00
General expenses		30,842,012.00	00
Finance costs		00	00
Refunds paid out		00	00
Transfers to the County Government		71,497,026.00	
Total Payments		195,110,193.00	00
Net cash flows from operating activities	41	-3,790,343.00	00
Cash flows from investing activities		00	00
Purchase of property, plant, equipment, & intangible assets		00	00
Proceeds from the sale of property, plant, and equipment		00	00
Acquisition of investments		00	00
Net cash flows used in investing activities		00	00
Cash flows from financing activities			
Proceeds from borrowings		00	00
Repayment of borrowings		00	00
Capital grants received		00	00

Net cash flows used in financing activities		00	00
Net increase/(decrease)in cash and cash equivalents		-3,790,343.00	00
Cash and cash equivalents at 1 July	27	00	00
Cash and cash equivalents at 30 July	27	-3,790,343.00	00

The notes set out on pages 1 to 43 form an integral part of the Annual Financial Statements.

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



Stephen Mulwa Kitambo
Chairman
Board of Management

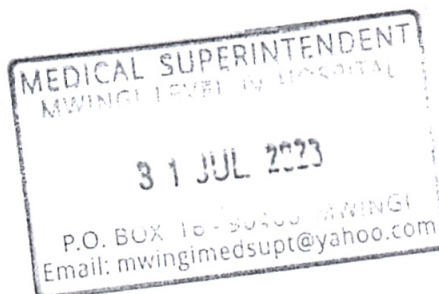


Dennis Kimanzi
Head of Finance
ICPAK No: 16543

for kony mustimi

DR. Evans Mumo
Medical Superintendent
Mwingi Level IV

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Mwingi Level IV Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

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	168,00,00.00	0	168,00,00.00	119,822,824.00	48,177,176.00	71.30%
Grants from donors and development partners	00	00	00	00	00	0%
Transfers from other Government entities	00	00	00	00	00	0%
Public contributions and donations	00	00	00	00	00	0%
Rendering of services- Medical Service Income	90,00,00.00	0	90,00,00.00	71,497,026.00	18,502,974.00	79%
Revenue from rent of facilities	00	00	00	00	00	0%
Finance / interest income	00	00	00	00	00	0%
Other receipts (<i>specify</i>)	00	00	00	00	00	0%
Total income	258,000,000.00	00	258,000,000.00	191,319,850.00	66,680,150.00	%
Expenses						
Medical/Clinical costs	00	00	00	52,363,732.00	00	%
Employee costs	00	00	00	30,770,837.00	00	%
Remuneration of directors	00	00	00	00	00	0%
Repairs and maintenance	00	00	00	10,877,306.00	00	%
Grants and subsidies	00	00	00	00	00	0%
General expenses	00	00	00	30,842,012.00	00	%
Finance costs	00	00	00	00	00	0%
Refunds	00	00	00	00	00	%
Transfers to the County Government				71,497,026.00		
Surplus for the period	00	00	00	-3,790,343.00	00	%

Mwingi Level IV Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

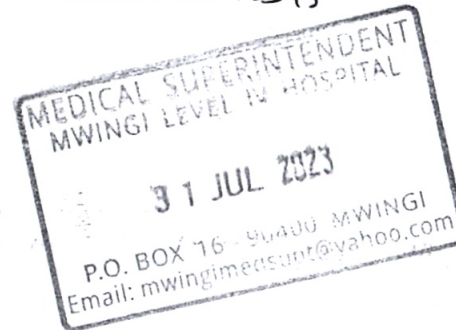
Capital expenditure	00	00	00	00	00	%
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The notes set out on pages 1 to 43 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on _____ and signed on its behalf by:


.....
Stephen Mulwa Kitambo
Chairman
Board of Management


.....
Dennis Kimanzi
Head of Finance
ICPAK No: 16543

for tony mustimi
.....
DR. Evans Mumo
Medical Superintendent
Mwingi Level IV



XVIII. Notes To the Financial Statements

1. General Information

Mwingi Level IV Hospital is established by and derives its authority and accountability from 00 Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is 00.

2. Statement Of Compliance And Basis Of Preparation

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

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

3. Adoption of New and Revised Standards

IPSASB deferred the application date of standards from 1st January 2022 owing to Covid19. 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:
IPSAS 41: Financial Instruments	Applicable: 1st January 2023: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	Applicable: 1st January 2023 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess: (a) The nature of such social benefits provided by the Entity; (b) The key features of the operation of those social benefit schemes; and

	(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	Applicable: 1st January 2023: a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.
Other improvements to IPSAS	Applicable 1st January 2023 • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008). • <i>IPSAS 39: Employee Benefits</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.
IPSAS 43	Applicable 1st January 2025 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 cash flows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> The Standard requires, 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: 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.

ii. Early adoption of standards

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

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 00 was approved by Board on 00x. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of 00x on the FY 00 budget following the Board's approval. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 00 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 00 years. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

e) Property, plant and equipment

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

Notes to the Financial Statements (Continued)

f) Leases

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

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

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

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

g) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the

date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite

Notes to the Financial Statements (Continued)

h) Research and development costs

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

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

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

i) Financial instruments

Financial assets

Initial recognition and measurement

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

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

Loans and receivables

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

Notes to the Financial Statements (Continued)

Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

Notes to the Financial Statements (Continued)

Loans and borrowing

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

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

i) Inventories

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

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

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

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

j) Provisions

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

Notes to the Financial Statements (Continued)

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

Contingent liabilities

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

Contingent assets

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

k) Nature and purpose of reserves

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

l) Changes in accounting policies and estimates

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

m) Employee benefits

Retirement benefit plans

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

Notes to the Financial Statements (Continued)

n) Foreign currency transactions

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

o) Borrowing costs

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

p) Related parties

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

q) Service concession arrangements

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

Notes to the Financial Statements (Continued)

r) Cash and cash equivalents

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

s) Comparative figures

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

t) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 20XX.

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

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

Notes to the Financial Statements (Continued)

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 00.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

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

6. Transfers From The County Government

Description	2021/22	2020/21
	KShs	KShs
Unconditional grants	119,822,824.00	
Operational grant	0	0
Level 5 grants	0	0
Other grants	0	0
	0	0
Conditional grants	0	0
User fee forgone	0	0
Transforming health services for Universal care project (THUCP)	0	0
DANIDA	0	0
Wards Development grant	0	0
Paediatric block grant	0	0
Administration block grant	0	0
Laboratory grant	0	0
Total government grants and subsidies	119,822,824.00	0

Notes to the Financial Statements (Continued)

6 Transfers from The County Government

Name of the Entity sending the grant	Amount recognized to Statement of financial performance	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	Total 2021/22
			KShs	KShs	KShs
Kitui County Government	119,822,824.00	0	0	119,822,824.00	0
Total	119,822,824.00	0	0	119,822,824.00	0

7. In Kind Contributions from The County Government

Description	2021/22	2020/21
	KShs	KShs
Salaries and wages	0	0
Pharmaceutical and Non-Pharmaceutical Supplies	0	0
Medical supplies-Drawings Rights (KEMSA)	0	0
Utility bills	0	0
Total grants in kind	0	0

8. Grants From Donors and Development Partners

Description	2021/22	2020/21
	KShs	KShs
Cancer Centre grant- DANIDA	0	0
World Bank grants	0	0
Paediatric ward grant- JICA	0	0
Research grants	0	0
Other grants (<i>specify</i>)	0	0
Total grants from development partners	0	0

Notes to the Financial Statements (Continued)

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

Name of the Entity sending the grant	Amount recognized to Statement of financial performance	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	Total 2020/21
	KShs	KShs	KShs	KShs	KShs
Donor e.g., DANIDA	0	0	0	0	0
JICA	0	0	0	0	0
World Bank	0	0	0	0	0
Total	0	0	0	0	0

9. Transfers From Other Government Entities

Description	2021/22	2020/21
	KShs	KShs
Transfer from National Government (Ministry of Health)	0	0
Transfer from 00 National Hospital	0	0
Transfer from 00 Institute	0	0
Total Transfers	0	0

10. Public Contributions and Donations

Description	2021/22	2020/21
	KShs	KShs
Public donations	0	0
Donations from local leadership	0	0
Donations from religious institutions	0	0
Donations from other international organisations and individuals	0	0
Other donations(<i>specify</i>)	0	0
Donations in kind-amortised	0	0
Total donations and sponsorships	0	0

Notes to the Financial Statements (Continued)

10 (a) Reconciliations of amortised grants

Description	2021/22	2020/21
	KShs	KShs
Balance unspent at beginning of year	0	0
Current year receipts	0	0

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Amortised and transferred to revenue	0	0
Conditions to be met – remain liabilities	0	0

11. Rendering of Services-Medical Service Income

Description	2021/22	2020/21
	KShs	KShs
	5,868,102.00	00
Pharmaceuticals		
Non-Pharmaceuticals	00	00
Laboratory	3,905,906.00	00
Radiology	4,125,801.00	00
Orthopedic and Trauma Technology	908,048.00	00
Theatre	574,750.00	00
Accident and Emergency Service	00	00
Anesthesia Service	00	00
Ear Nose and Throat service	111,990.00	00
Nutrition service	581,127.00	00
Cancer centre service	00	00
Dental services	233,570.00	00
Reproductive health	10,227,796.00	00
Paediatrics services	00	00
Farewell home services	2,050,195.00	00
Other medical services income	42,909,741.00	00
Total revenue from the rendering of services	71,497,026 .00	00

Notes to the Financial Statements (Continued)

12. Revenue From Rent of Facilities

Description	2021/22	2020/21
	KShs	KShs
Residential property	00	00
Commercial property	00	00
Total Revenue from rent of facilities	00	00

13. Finance /Interest Income

Description	2021/22	2020/21
	KShs	KShs
Cash investments and fixed deposits	0	0
Interest income from short- term/ current deposits	0	0
Interest income from Treasury Bills	0	0
Interest income from Treasury Bonds	0	0
Interest from outstanding debtors	0	0
Total finance income	0	0

14. Other Income

Description	2021/22	2020/21
	KShs	KShs
Insurance recoveries	0	0
Income from sale of tender	0	0
Services concession income	0	0
Sale of goods (water, publications, containers etc)	0	0
Total other income	0	0

Notes to the Financial Statements (Continued)

15. Medical/ Clinical Costs/

16. Employee Costs

Description	2021/22	2020/21
	KShs	KShs
Salaries, wages, and allowances	16,645,627.00	0
Contributions to pension schemes	0	0
Nurses Locums	3,732,00.00	0
Staff allowances	8,835,310.00	0
Hospital Airtime(departmental)	1,557,900.00	0
Staff medical expenses and Insurance cover	0	0
Group personal accident insurance and WIBA	0	0
Social contribution	0	0
Other employee costs (<i>seminars/Nurses Locums</i>)	0	0
Employee costs	30,770,837.00	0

Notes to the Financial Statements (Continued)

17. Board of Management Expenses

Description	2021/22	2020/21
	KShs	KShs
Chairman's Honoraria	0	0
Sitting allowance	0	0
Mileage	0	0
Insurance expenses	0	0
Induction and training	0	0
Travel and accommodation allowance	0	0
Airtime allowances	0	0
Total	0	0

18. Depreciation And Amortization Expense

Description	2021/22	2020/21
	KShs	KShs
Property, plant and equipment	0	0
Intangible assets	0	0
Investment property carried at cost	0	0
Total depreciation and amortization	0	0

19. Repairs And Maintenance

Description	2021/22	2020/21
	KShs	KShs
Property- Buildings	0	
Building materials	7,936,906.00	
Medical equipment	1,143,650.00	
Office equipment	00	
Furniture and fittings	215,850.00	
Computers and accessories	00	
Motor vehicle expenses	1,580,900.00	
Plumbing Works	00	
Maintenance of mortuary machines	00	
Total repairs and maintenance	10,877,306.00	

Notes to the Financial Statements (Continued)

20. Grants And Subsidies

Description	2021/22	2020/21
	KShs	KShs
Community development and social work	0	0
Education initiatives and programs	0	0
Free/ subsidised medical camp	0	0
Disability programs	0	0
Free cancer screening	0	0
Other grants and subsidies(<i>specify</i>)	0	0
Total grants and subsidies	0	0

21. General Expenses

Description	2021/22	2020/21
	KShs	KShs
Advertising and publicity expenses	00	0
Catering expenses	0	0
Waste management expenses	0	0
Insecticides and rodenticides(fumigation process)	0	0
Audit fees	0	0
Bank charges	6,930.00	0
Conferences and delegations	0	0
Consultancy fees	0	0
Contracted services(cleaning, security and system maintenance)	4,509,486.00	0
Electricity expenses	2,067,00.00	0
Other fuels(fire wood and gas)	3,640,932.00	0
Office running expenses and general expenses	2,643,100.00	0
Travel and accommodation allowance	0	0
Electrical materials	2,214,274.00	0
Licenses and permits	0	0
Courier and postal services	37,926.00	0
Printing and stationery	8,003,146.00	0
Hire charges	0	0
Fuel Expenses	5,569,218.00	0
Water and sewerage costs	2,150,00.00	0
Skills development levies	0	0
Telephone and mobile phone services	0	0

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Description	2021/22	2020/21
	KShs	KShs
Internet expenses	0	0
Staff training and development	0	0
Subscriptions to professional bodies	0	0
Subscriptions to newspapers periodical, magazines, and gazette notices	0	0
Library books/Materials	0	0
Parking charges	0	0
Total General Expenses	30,842,012.00	0

22. (a) Finance Costs

Description	2021/22	2020/21
	KShs	KShs
Borrowings (amortized cost) *	0	0
Finance leases (amortized cost)	0	0
Interest on Bank overdrafts/Guarantees	0	0
Interest on loans from commercial banks	0	0
Total finance costs	0	0

(b) Transfers to the County Government

Description	2021/22	2020/21
	KShs	KShs
Revenue swipes to the County Government from the Hospital Revenue Account	71,497,026.00	0
Total Revenue Swipes	71,497,026.00	0

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

Description	2021/22	2020/21
	KShs	KShs
Property, plant, and equipment	0	0
Intangible assets	0	0
Other assets not capitalised (<i>specify</i>)	0	0
Total gain on sale of assets	0	0

24. Unrealized Gain On Fair Value Investments

Description	2021/22	2020/21
	KShs	KShs
Investments at fair value	0	0

Total gain	0	0
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Notes to the Financial Statements (Continued)

25. Medical Services Contracts Gains /Losses

Description	2021/22	2020/21
	KShs	KShs
Comprehensive care contracts with NHIF	0	0
Non- Comprehensive contracts care with NHIF	0	0
Linda Mama Program	0	0
Waivers and Exemptions	0	0
Total Gain/Loss	0	0

26. Impairment Loss

Description	2021/22	2020/21
	KShs	KShs
Property, plant, and equipment	0	0
Intangible assets	0	0
Total impairment loss	0	0

27. Cash And Cash Equivalents

Description	2021/22	2020/21
	KShs	KShs
Current accounts	260,980.51	0
On - call deposits	0	0
Fixed deposits accounts	0	0
Cash in hand	0	0
Others(<i>specify</i>)- Mobile money	0	0
Total cash and cash equivalents	260,980.51	0

Notes to the Financial Statements (Continued)

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

Description		2021/22	2020/21
Financial institution	Account number	KShs	KShs
a) Current account			
Kenya Commercial bank	1156709008	260,980.51	0
		0	0
			0
Sub- total		260,980.51	0
b) On - call deposits			0
Kenya Commercial bank		0	0
			0
Equity Bank –etc		0	0
Sub- total		0	0
c) Fixed deposits account			0
Bank Name		0	0
			0
Sub- total		0	0
d) Others(specify)		0	0
cash in hand		0	0
Mobile money- Mpesa, Airtel money		0	0
			0
Sub- total		0	0
Grand total		260,980.51	0

28. Receivables From Exchange Transactions

Description	2021/22	2020/21
	KShs	KShs
Medical services receivables	0	0
Rent receivables	0	0
Other exchange debtors	0	0
Less: impairment allowance	0	0
Total receivables	0	0

Notes to the Financial Statements (Continued)

29. Receivables From Non-Exchange Transactions

Description	2021/22	2020/21
	KShs	KShs
Transfers from the County Government	0	0
Undisbursed donor funds	0	0
Other debtors (<i>non-exchange transactions</i>)	0	0
Less: impairment allowance	0	0
Total	0	0

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

30. Inventories

Description	2021/22	2020/21
	KShs	KShs
Pharmaceutical supplies	00	00
Maintenance supplies	00	00
Food supplies	00	00
Linen and clothing supplies	00	00
Cleaning materials supplies	00	00
General supplies	00	00
Less: provision for impairment of stocks	00	00
Total	00	00

2022

			Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Tot al
			Shs	Shs	Shs	Shs	Shs	Shs
	00	00	00	00	00	00	00	00
	00	00	00	00	-	-	00	00
	(00)	(00)	(00)	(00)	(00)	(00)	(00)	(00)
Transfer/adjustments	00	00	(00)	00			00	(00)
At 30th June 2021	00	00	00	00	00	00	00	00
At 1 st July 2021	00	00	00	00	00	00	00	00
Additions	00	00	00	00	00	00	00	00
Disposals	(00)	(00)	(00)	(00)	(00)	(00)	(00)	(00)
Transfer/adjustments		00		00			(00)	-
At 30th June 2022	00	00	00	00	00	00	00	00
Depreciation and impairment								
At 1 July 2020	00	00	00	00	00	00		00
Depreciation for the year	00	00	00	00	00	00		00
Disposals	(00)	(00)	(00)	(00)	(00)	(00)		(00)
Impairment	(00)	(00)	(00)	(00)	(00)	(00)		(00)

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Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
At 30 June 2021	00	00	00	00	00	00		00
At July 2021	00	00	00	00	00	00		00
Depreciation	00	00	00	00	00	00		00
Disposals	(00)	(00)	(00)	(00)	(00)	(00)		(00)
Impairment	(00)	(00)	(00)	(00)	(00)	(00)		(00)
Transfer/adjustment		00	-	00	-	-	(00)	(00)
At 30th June 2022	00	00	00	00	00	00	00	00
Net book values								
At 30 th June 2021	00	00	00	00	00	00	00	00
At 30 th June 2022	00	00	00	00	00	00	00	00

Notes to the Financial Statements (Continued)

32. Intangible Assets-Software

Description	2021/22	2020/21
	KShs	KShs
Cost		
At beginning of the year	00	00
Additions	00	00
Additions-Internal development	00	00
Disposal	00	00
At end of the year	00	00
	00	00
Amortization and impairment		
At beginning of the year	00	00
Amortization for the period	00	00
Impairment loss	00	00
At end of the year	00	00
NBV	00	00

33. Investment Property

Description	2021/22	2020/21
	KShs	KShs
At beginning of the year	00	00
Additions	00	00
Fair value gain	00	00
Depreciation (<i>where investment property is at cost</i>)	00	00
At end of the year	00	00

34. Trade And Other Payables

Description	2021/22	2020/21
	KShs	KShs
Trade payables	42,434,824.26	00
Employee dues	00	00
Third-party payments (<i>unremitted payroll deductions</i>)	00	00
Audit fee	00	00
Doctors' fee	00	00
Total trade and other payables	42,434,824.26	00

Notes to the Financial Statements (Continued)

35. Refundable Deposits from Customers/Patients

Description	2021/22	2020/21
	KShs	KShs
Medical fees paid in advance	00	00
Credit facility deposit	00	00
Rent deposits	00	00
Others (<i>specify</i>)	00	00
Total deposits	00	00

36. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year	00	00	00	00
Additional Provisions	00	00	00	00
Provision utilised	00	00	00	00
Change due to discount & time value for money	00	00	00	00
Total provisions	00	00	00	00
Current Provisions	00	00	00	00
Non-Current Provisions	00	00	00	00
Total Provisions	00	00	00	00

37. Finance Lease Obligation

Description	2021/22	2020/21
	Kshs	Kshs
Current Lease obligation	00	00
Long term lease obligation	00	00
Total	00	00

Notes to the Financial Statements (Continued)

38. Deferred Income

Description	2021/22	2020/21
	KShs	KShs
Current Portion	00	00
Non-Current Portion	00	00
Total	00	00

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

Description	National government	International funders/ donors	Public contributions and donations	Total
Balance b/f	00	00	00	00
Additions during the year	00	00	00	00
Transfers to Capital fund	00	00	00	00
Transfers to statement of financial performance	00	00	00	00
Other transfers (<i>Specify</i>)	00	00	00	00
Balance C/F	00	00	00	00

39. Borrowings

Description	2021/22	2020/21
	KShs	KShs
Balance at beginning of the period	00	00
External borrowings during the year	00	00
Domestic borrowings during the year	00	00
Repayments of external borrowings during the year	00	00
Repayments of domestic borrowings during the year	00	00
Balance at end of the period	00	00

Notes to the Financial Statements (Continued)

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

Description	2021/22	2020/21
	KShs	KShs
Current Obligation	00	00
Non-Current Obligation	00	00
Total	00	00

40. Service Concession Arrangements

Description	2021/22	2020/21
	KShs	KShs
Fair value of service concession assets recognized under PPE	00	00
Accumulated depreciation to date	00	00
Net carrying amount	00	00
Service concession liability at beginning of the year	00	00
Service concession revenue recognized	00	00
Service concession liability at end of the year	00	00

41. Cash Generated from Operations

	2021/22	2020/21
Surplus for the year before tax	KShs	KShs
Adjusted for:		
Depreciation	00	00
Non-cash grants received	00	00
Impairment	00	00
Gains and losses on disposal of assets	00	00
Contribution to provisions	00	00
Contribution to impairment allowance	00	00
Working Capital adjustments	00	00
Increase in inventory	00	00
Increase in receivables	00	00
Increase in deferred income	00	00
Increase in payables	00	00
Increase in payments received in advance	00	00
Net cash flow from operating activities	00	00

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:

Notes to the Financial Statements (Continued)

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2020				
Receivables from exchange transactions	00	00	00	00
Receivables from –non-exchange transactions	00	00	00	00
Bank balances	00	00	00	00
Total	00	00	00	00
At 30 June 2022	00	00	00	00
Receivables from exchange transactions	00	00	00	00
Receivables from –non-exchange transactions	00	00	00	00
Bank balances	00	00	00	00
Total	00	00	00	00

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has significant concentration of credit risk on amounts due from 00x

The board of management sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

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

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

	Less than 1 month	Between 1- 3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 20xx				
Trade payables	00	00	00	42,434,824.26
Current portion of borrowings	00	00	00	00
Provisions	00	00	00	00
Deferred income	00	00	00	00
Employee benefit obligation	00	00	00	00
Total	00	00	00	42,434,824.26

(iii) **Market risk**

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

Notes to the Financial Statements (Continued)

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

a) Foreign currency risk

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

	KShs	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2022			
Financial assets (investments, cash, debtors)	00	00	00
Liabilities	00	00	00
Trade and other payables	00	00	00
Borrowings	00	00	00
Net foreign currency asset/(liability)	00	00	00

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

	KShs	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2022			
Financial assets (investments, cash, debtors)	00	00	00
Liabilities	00	00	00
Trade and other payables	00	00	00
Borrowings	00	00	00
Net foreign currency asset/(liability)	00	00	00

Notes to the Financial Statements (Continued)

Foreign currency sensitivity analysis

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

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
20xx			
Euro	10%	00	00
USD	10%	00	00
20xx		00	00
Euro	10%	00	00
USD	10%	00	00

Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

Notes to the Financial Statements (Continued)

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of financial performance if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs 00 (20xx: KShs00). A rate increase/decrease of 5% would result in a decrease/increase in surplus of KShs 00 (20xx – KShs 00).

iv) Capital Risk Management

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

	2021/22	2020/21
	Kshs	Kshs
Revaluation reserve	00	00
Retained earnings	00	00
Capital reserve	00	00
Total funds	00	00
	00	00
Total borrowings	00	00
Less: cash and bank balances	00	00
Net debt/ (<i>excess cash and cash equivalents</i>)	00	00
Gearing	00	00

43. Related Party Balances

Nature of related party relationships

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

Government of Kenya

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

Notes to the Financial Statements (Continued)

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

Description	2021/22	2020/21
	Kshs	Kshs
Transactions with related parties		
a) Services offered to related parties		
Services to 00	00	00
Sales of services to 00	00	00
Total	00	00
	00	00
b) Grants from the Government	00	00
Grants from County Government	00	00
Grants from the National Government Entities	00	00
Donations in kind	00	00
Total	00	00
	00	00
c) Expenses incurred on behalf of related party	00	00
Payments of salaries and wages for 00 employees	00	00
Payments for goods and services for 00	00	00
Total	00	00
	00	00
d) Key management compensation	00	00
Directors' emoluments	00	00
Compensation to the medical Sup	00	00
Compensation to key management	00	00
	00	00
Total	00	00

Notes to the Financial Statements (Continued)

44. Segment Information

Mwingi Level IV Hospitals operates in Mwingi Central Sub County in Kitui County

45. Contingent Liabilities

Contingent liabilities	2021/22	2020/21
	Kshs	Kshs
Court case 00 against the company	00	00
Bank guarantees in favour of subsidiary	00	00
Total	00	00

46. Capital Commitments

Capital Commitments	2021/22	2020/21
	Kshs	Kshs
Authorised For	00	00
Authorised And Contracted For	00	00
Total	00	00

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 Semi- Autonomous Government Agency under the Ministry of Health. Its ultimate parent is the Government of Kenya.

49. Currency

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

