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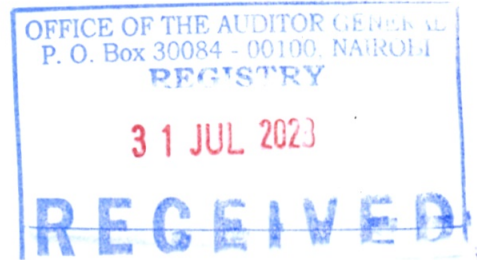
THE AUDITOR-GENERAL

ON

MUHORONI COUNTY HOSPITAL

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

COUNTY GOVERNMENT OF KISUMU



**MUHORONI LEVEL IV COUNTY HOSPITAL
(Kisumu 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)

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

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I. Key Entity Information and Management

(a) Background information

Muhoroni County Hospital is a level (4) hospital established under gazette notice number 786 and is domiciled in Kisumu County under the Department of Medical Services, Public Health and Sanitation Health & Sanitation Department.

The hospital is governed by a Board of Management.

(b) Principal Activities

The Muhoroni County Hospital within the County Government of Kisumu seeks to realize;

Vision:

A peaceful and prosperous County where all citizens enjoy high quality life and sense of belonging.

Mission:

To realize the full potential of devolution and meet the development aspirations of the people of Kisumu County.

Strategic Objectives (S.O.) of Medical Services, Public Health and Sanitation Department, County Government of Kisumu.

S.O. 1: Accelerate reduction in the burden of communicable diseases

S.O. 2: Halt, and reverse the rising burden of non- communicable conditions

S.O. 3: Reduce burden of violence and injuries

S.O.4: Improve persons centered essential health services

S.O.5: Minimize Exposure to Health Risk Factors by strengthening health promotion interventions which address risk factors to health

S.O.6: Strengthen Collaboration with Health-Related Sectors

(c) Key Management

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

- County department of Medical Services, Public Health and Sanitation
- Board of Management
- Accounting Officer/ Medical Superintendent
- Management
- Others, committee and sub committees

(d) Fiduciary Management

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

No.	Designation	Name
1.	Medical Superintendent	Dr. David Akuom
2	Health Administration Officer	Mr. Josiah Ongai
5.	Head of Nursing	Mr. Jacob Ngachra
6.	Head of laboratory	Mr. Julius Okuku
7.	Head of Pharmacy	Mr. Kevin Otieno
8.	Head of clinical services	Mrs. Winnie Adoyo
9	Health Records Information Officer	Ms Patricia Ruddy
10	Biomedical Engineer	Mr Aloyce Mboya

(e) Fiduciary Oversight Arrangements

Muhoroni County Hospital governed by a board of hospital management (HMB) as gazetted periodically via the Kenya Gazette notices, and the hospital management team (HMT) comprising of the Hospital heads of units and departments, the Medical Superintendent Chairs the HMT and is the secretary to the HMB, there are committees and sub committees comprising of members appointed from both HMB and HMT playing oversight over the internal control mechanisms within the entity, namely Hospital Ethic Committee, Hospital Anti-Corruption Committees, Executive Expenditure Committee, Hospital Human Resource Advisory Committee, Hospital Audit Committee, Medicines and Therapeutics Committee and Quality Management Committee. The hospital management works under direct oversight by the Kisumu County Government Department of Medical Services Public Health and Sanitation Chief Officer; the director Medical services and director Public Health and Sanitation.

(f) Entity Headquarters

MUHORONI COUNTY HOSPITAL
P.O. Box 71
Muhoroni,
KENYA

(g) Entity Contacts

Telephone: (+254) 5751450
E-mail: muhoronisdh@gmail.com

(h) Entity Bankers

Commercial Banks

1. Kenya Commercial Bank AC No.1148799214

(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. 2738 - 40100

Kisumu, Kenya

II. The Board of Management

Ref	Directors	Details
1.	Mr Edward Onyango Ogwang	Chairperson of the Hospital management Board.
2.	Mr Jarim odada	Board member in charge of financial management
3.	Mr Simon Peter Okwama	Board member representing faith-based organisation
4.	Ms Rose Wanyama	Board member representing H.C.S. D
5.	Mr. Joshua Odingo	Board member representing Professionals
6.	Ms Susan Akinyi Ogola	Board member representing Youths
7.	Mr Billy Adero	Member
8.	Dr. David Akuom	Medical Superintendent & secretary to the Board.

III. Management Team

Ref	Management	Details
1.	Dr. David Akuom	Medical Superintendent/ CEO of the Hospital
2.	Mr/ Jacob Ngachra	Head of Nursing
3.	Mr. Josiah Ongai	Health Administration Officer
4.	Mr. Julius Okuku	Head of laboratory
5.	Mr. Kevin Otieno	Head of Pharmacy

IV. Chairman's Statement

On behalf of the Board, I acknowledge that we are responsible for this hospital entity governance. I am specifically responsible for the leadership of the Board, ensuring its effectiveness on all aspects of its role, including good governance in dealing with our core mandate. This includes ensuring that Board meetings are held in an open manner, that the directors receive accurate, timely and clear information and allowing sufficient time for agenda items to be discussed. I am also responsible for effective communications with stakeholders and acting as a link between the hospital and the community in providing holistic care.

The Board remains committed to maintaining and evolving high standards of oversight throughout the entity

On behalf of the board of directors' of Muhoroni County Hospital, I am pleased to present the 2022 financial statements of the hospital, the financial year 2022 ("FY 2021/22") has proven to be a challenging year for us.

Annual average inflation in 2021 was at 6.1% supported by subdued demand pressure, rising food prices (lower than-average rainfall) and higher global oil prices. Against the United States Dollar, the Kenya Shilling depreciated by 3.6% to close the year at 113.15; rebound in imports exceeded recovery in export earnings on the back of increased orders as the economy re-opened. The average exchange rate in 2021 was 110. Disruptions across supply chains, together with the depreciation of the shilling, increased the cost of doing business and impacted on our business spend management.

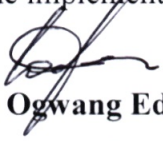
As we transitioned toward the endemic phase and economic activities continue to normalize, the Covid-19 pandemic greatly affected the operations of the hospital and totally disoriented the system, thinly stretching out the meek resources in the hospital sector.

As of May 2022, the world recorded at least 534 million confirmed cases of the disease and 6 million deaths since the disease was first identified. With increasing vaccinations worldwide resulting in reducing positivity rates, 2021 experienced better prospects compared to the previous year. Health seeking behaviour improved in 2021, however the disease still impacted adversely on our overall service delivery capability.

Nevertheless, despite facing an ongoing volatile and uncertain health situation, we managed to overcome these hurdles by tapping into our robust fundamentals and providing the much sorted aid to our patients during this dark period that made us see so many deaths and suffering as Covid -19 wave came and intensified.

The Hospital remains resilient in delivering quality health services as per the hospital vision and mission to the catchment population and beyond the borders in spite of the challenging and hard economic times.

The Board of management remains ambitious in its pursuit of excellence in the healthcare space as reflected in the implementation of the annual work plan and the annual budget



Mr. Ogwang Edward

Chairman, Board of Management

Muhoroni County Hospital

County Government of Kisumu

V. Report of the chief executive officer

I am pleased to present to you the key highlights of the Annual Report and Financial Statements for the year 2021 for Muhoroni County Hospital. The hospital management received a total of Kshs 12,526,816, Ksh 9,357,808 paid out on different expenses during the period and by end of the financial audit 30th June 2022 the hospital current liabilities stood at Kshs 11,058,366.

Management prioritized the strengthening of governance frameworks, progressing infrastructure projects as well as playing an active role in managing the financial performance of the Hospital.

To achieve this, the hospital engaged the right people into a revamped organizational structure. We believe that the right transformational initiatives will continue yielding results, even in a highly dynamic operating environment.

Patient satisfaction is at the centre of what we do. We compliment this with competent and experienced and courteous admitting staff, cutting across different health disciplines.

We pride ourselves for a seamless integration of all these medical services to deliver the highest standard of healthcare. We have reviewed our existing processes, policies, and procedures to respond better to our clients' preferences. This report contains some of the highlights in various functions

Expenditure

The hospital's direct costs increased by 45% in 2021, while overheads rose by 15%. While the increase in the expense lines was generally in line with the covid-19 pandemic and radical measures to combat the virus as a public health concern. More than commensurate adverse increases were driven by disruptions in supply chains (increased demurrage and shipping costs) and the depreciation of the Kenya Shilling

against major currencies, particularly the United States Dollar (USD). By December 2021, the shilling exchanged at 113 against the USD, up from 93 at the same time in 2020.

In 2021, we reviewed our supply chain extensively to extract efficiencies, enabling us to continuously maintain our cost base at optimum levels.

Nursing services

Quality nursing care remains the pillar of differential healthcare for The Muhoroni County Hospital patient. The division employs various approaches to enhance care and improve quality. The nursing team has focused on training in quality and patient safety goals

To further enhance quality, Nurses were trained in various hospital sponsored specializations including Critical Care Nursing, Perioperative Nursing, Kenya Registered Midwifery Training, Accident and Emergency Nursing.

In 2021, the Average length of stay sustained at 5 days, similar to 2020. This was however in line with WHO data that indicates the length of stay in Africa during the post covid era to be 5 to 7 days.

The patient loyalty score remained above 80% for most part of the year with patient concerns being addressed promptly.

Imaging & radiology

In keeping with the vision of the hospital to provide cutting edge service, the hospital in 2021 initiated process to acquire digital x-ray machine and is in the process of renovating the room for the installation we expect better throughput, reduced down-times, higher quality imaging and better cost efficiencies with these new machines once procured.

We continue to offer quality antenatal ultrasound services that have helped save many maternal and foetal lives thus reducing maternal and foetal mortalities.

Laboratory services

Revenue from laboratory tests increased by 32% in 2021 over 2020, attributed largely to increased efficiencies in running of tests and greater public awareness on testing, prevention, and treatment of COVID-19.

We adopted the Rapid Antigen Test as the main test for COVID-19, driving down costs for our clients and reaching out to so many clients in the screening phase.

The laboratory continued its path of digital transformation, some expanded test panels include STD panel and ANC panels. Some of the new tests include HPV and stool for H pylori antigen test

In 2021 the laboratory TAT improved from 60% to 78%, attributed to the KAIZEN improvement project which the lab has been able to sustain.

The Laboratory expansion project has started with completion expected within 2023. This is expected to further boost outcomes and improve turnaround times and expand service delivery.

Pharmacy services

The departmental quality objective on monitoring turnaround time (TAT) is on track. All outpatient pharmacies met the target of serving over 80% of patients within 20 minutes. The overall outpatient average was at 83%. The hospital's turnover increased by 53% primarily driven by increase in patient numbers in of 2021, the hospital completely separated the dispensing area from the stores further complementing its service delivery efficiency.

Human resources

The Human Resources (HR) Division continued to ensure that the institution attracted employees with the required skills and experiences and to further retain, motivate and develop them. Investing in employees remained paramount, a key pillar in realizing the hospital's strategic objectives. The first step to this was carrying out a reorganization program to allow the hospital to have the right organization design to effectively carry out the objectives contained in the Strategic Plan.

Central to this was attracting the right talent in key positions; some support staff positions still remain unfilled even as the hospital struggles to ensure compliance with the minimum wage bill as gazetted by the republic of Kenya.

A new organizational design was rolled out in line with the strategic plan Management sought to further develop the culture of the institution with the ethos that makes our hospital a premier facility providing distinguished services.

We aim to uphold the values that the institution stands for and promote these within our human capital. This process involves culture surveys aimed at getting feedback from staff as to their wellbeing and working conditions.

Infrastructure projects

Key projects undertaken/restarted within the year include: the fencing of the hospital done with support from the county government of Kisumu and the ongoing renovation of the Outpatient Department complex which under corporate social responsibility had received 142 iron sheets towards roofing, the project however remains and the management in the process of resource mobilization towards the same


Looking forward

We recognize that our leadership position as the Hub in the hub and spoke model primary health care being modelled towards UHC realization in Muhoroni sub county, Kisumu County that requires us to provide clear standards in the way health services are provided. Fortunately, our strategic plan grants a clear roadmap on enhancing service delivery. Crucial to this is the implementation of the key operational systems, the Hospital Information Management System (HMIS) strengthening the revenue collection, efficient data collection and reducing the patient's turnaround time in different departments thus efficient service delivery to our patients as well as the implementation of infrastructure projects and continuous replacement of obsolete medical equipment.

Looking into the future, we foresee strong growth and expanding returns stemming from operations, expanded service delivery points and greater collaboration with respective providers.

Appreciation

I take this opportunity to express my appreciation to the Chairperson and Members of the Board of Management for their guidance and support throughout our transformation journey. I acknowledge the contribution of our entire Staff and Management towards the performance of the hospital. They worked tirelessly through the challenges of 2021 and demonstrated an enduring commitment to provide excellent services to our clients. Thanks also to members of the Admitting Staff for their continued collegial support


Dr. Akuom O. David
Medical Superintendent
Muhoroni County Hospital
County Government of Kisumu



VI. Statement of Compliance and Basis of Preparation of the Financial statements

The Hospital Board explicitly discloses that this is the first time that the annual financial statements have been prepared on Accrual basis IPSASs.

VII. 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.

The Mandate of Muhoroni County Hospital as an entity are:

- Ensuring that systems are established for equality for all users of public services in the hospital;
- Ensuring impartiality and fairness in the process of delivery of public services in the hospital;
- Ensuring continuity of public services under all circumstances;
- Establishing systems in the Hospital to enable innovativeness and adaptability of public services to the needs of users;
- Ensuring professionalism and ethics in Public Service is achieved and maintained;
- Establishing systems to ensure promotion and protection of rights of users of public services and public servants as enshrined in the Bill of Rights;
- Institutionalizing a culture of accountability, integrity, transparency and promotion of values and principles of public service;

- Ensuring effective, efficient and responsible use of public resources, and
- Ensuring responsiveness by public servants in delivery of public services.

It is the responsibility of the Board and Hospital management team to provide the required leadership in designing suitable plans and strategies that will contribute to high and sustainable socio- economic development.

MUHORONI COUNTY HOSPITAL has 3 Annual Program Based Service Delivery Work plan and objectives within the current FY 2021-2022.

These 3 Annual Program Based Service Delivery are;

Program 1: Curative and Rehabilitative Health Services; Program Outcome: Effective and efficient curative and rehabilitative health care services to the county citizens

Program Objective: To provide effective and efficient curative and rehabilitative at all health **service delivery units**

Program 2: Preventive and Promotive Health Services; Program Outcome: Effective and efficient preventive and promotive health interventions within the county

Program Objective: To provide effective and efficient preventive and promotive health interventions across the county

Program 3: General Administration, Planning, Management Support and Coordination; Program Outcome: Effective and efficient preventive and promotive health interventions within the county

Program Objective: To provide effective and efficient preventive and promotive health interventions across the county

Muhoroni County Hospital develops its annual work plan based on the above 3 programs and 12 sub programs.

Assessment of the Board's performance against its annual work plan is done on a quarterly basis.

The Muhoroni County Hospital Board of Management achieved its performance targets set for the FY 2021/2022 period for its 12 sub programs under the 3 main program-based areas, as indicated in the diagram below:

Sub Program 1: Hospital Service delivery				
S/NO.	INDICATOR	TARGET	FY 2020/2021	FY 2021/2022
1	Number of Blood drives for blood and transfusion services	12	0	0
2	Number of free dental camps conducted	4	0	0
3	Number of children Under 5 dying in health facility	-	0	0
4	Number of surgical cold cases operated	144	46	100
5	Community based rehabilitation outreaches	4	0	0

6	number of clients referred to further management to level 4	0	0	0
7	Number clients referred for further management to level 5		103	142
8	Number of Hospital Therapeutic committee meetings held	4	2	2
9	Number of clinical audit meetings held	4	2	2
10	Mortality meetings held in past 3 months	3	0	1

**Sub Program 2: Reproductive Maternal Neonatal Child Health (RMNCH)
Services/RMNCAH dashboard**

S/NO.	INDICATOR	TARGET	FY 2020/2021	FY 2021/2022
1	% of under five years treated for Diarrhea		4%	4%
2	% of Pregnant women attending at least 4 ANC visits	100%	$(306/444*100)=69\%$	$(366/526*100)=70\%$
3	Women of reproductive age (WRA) receiving family planning (FP) commodities coverage	100%	$(1242/3593*100)=35\%$	$(1346/3828*100)=35\%$
4	% of pregnant women getting iron supplements	100%	$(411/1724*100)=24\%$	$(792/2097*100)=38\%$
5	Deliveries conducted by skilled	Y1-444 Y2-526	480	754

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	attendants in health facilities coverage			
6	Number of Uterine Baloon Tamponade (UBT) distributed	0	1	0
7	Number of Uterine Baloon Tamponade (UBT) used	0	1	1
8	Number of Fresh Still Births in the facility	2	5	8
9	Number of Facility Maternal deaths	1	1	1
10	Number of maternal deaths audited	1	1	1
11	Under 1 year Penta 1 dropout rates	0%	9%	16%
12	Children under 1 year of age fully immunized coverage	100%	(274/444*100) =62%	(380/526*100) =72%

Sub Program 3: Nutrition Services

S/NO.	INDICATOR	TARGET	FY 2020/2021	FY 2021/2022
1	% of Children under 5 years attending Child Welfare Clinics who are under weight	<5%	110/1886*100=6%	224/2621*100 =9%
2	% of Children under 5 years attending Child Welfare Clinics who are stunted	<5%	33/1886*100=2%	4/2621*100 =0%
3	Proportion of ANC Mothers provided with Combined folate	100%	(1282/1724*100) =74%	(1277/2097*100) =61%

4	Number of facilities with therapeutic feeds	1	1	1
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Sub Program 4: TB Control Interventions

S/NO.	INDICATOR	TARGET	FY 2020/2021	FY 2021/2022
1	Number of TB cases Identified	108	28	22
2	Proportion of TB Patients tested for HIV	100%	18(100%)	14(100%)
3	Proportion of TB patients completing treatment	100%	18(64%)	12(55%)
4	Number of MDR TB diagnosed	0	0	1
5	HIV+ TB/100,000 PLHIV	1	10(10/123 9*1000=8 cases)	8(8/1271*100 0=6 cases)
6	TBHIV case fatality	0	5	4

Sub program 5: HIV/AIDS prevention interventions

S/NO.	INDICATOR	TARGET	FY 2020/2021	FY 2021/2022
1	Number of PLWHIV newly identified	108	101	81
2	Proportion of deliveries from HIV+ve Mothers		(44/480*100) =9%	(70/754*100) =9%
3	Proportion of HIV clients on ART virally suppressed	95%	(826/889*100) =93%	(1068/1177*100) =91%

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4	Proportion of HIV exposed infants turning HIV+ve before 24 months	0%	$(1/43*100) = 2\%$	$(1/53*100) = 2\%$
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Sub program 6: Malaria Control Interventions

S/NO.	INDICATOR	TARGET	FY 2020/2021	FY 2021/2022
1	Proportion of Children under 1 distributed with Long Lasting Insecticide Treated Nets (LLITNs) in endemic and epidemic districts	100%	$85/444*100 = 19\%$	$412/526*100 = 78\%$
2	Proportion Pregnant women receiving LLITNs	100%	$220/443*100=50\%$	$501/485*100=103\%$
3	Proportion of pregnant women receiving IPT2	100%	$316/444*100 = 71\%$	$398/526*100=76\%$
4	Proportion of patients testing Malaria positive among those suspected to have Malaria	100%	$2148/4172*100=51\%$	$1455/7666*100=19\%$
5	Proportion of GOK facilities with Malaria testing Laboratory services among	100%	$1/1*100 = 100\%$	$1/1*100 = 100\%$

Sub Program 7: Non-Communicable Disease Control

S/NO.	INDICATOR	TARGET	FY 2020/2021	FY 2021/2022
1	Number of adults OPD clients with BMI more than 25	0	0	0
2	Number of Women of Reproductive Age screened for cervical cancers	Y1=3593 Y2=3828	488	1330
3	Number of new Outpatients with mental health conditions	-	73	48

4	Number of new Outpatients found with high blood pressure	-	311	73
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Sub Program 8: Environmental Health, Water and Sanitation Interventions

S/NO.	INDICATOR	TARGET	FY 2020/2021	FY 2021/2022
1	Proportion of Households with functional toilets	100%	70%	95%
2	Proportion of villages open defecation free	100%	60%	85%
3	Proportion of Households with hand washing facilities	100%	80%	100%
4	Proportion of primary schools with functional school health clubs	100%	100%	100%
5	Proportion of secondary schools with functional school health clubs	100%	100%	100%
6	Proportion of school age Children de-wormed	100%	100%	100%

Sub Program 9: Gender based violence /GRM Interventions

S/NO.	INDICATOR	TARGET	FY2020/2021	FY2021/2022
1	Number of new outpatient cases attributed to gender-based violence	10	69	88
2	Proportion of facilities with Grievance Monitoring & Redress Committee	100%	0	1/1*100 =100%

Sub Program 10: Health workers and Human Resource Management

S/NO.	INDICATOR	TARGET	FY 2020/2021	FY 2021/2022
1	Total number of Medical officers	4	2	2
2	Total number of Clinical Officers	14	11	11

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3	Total number of Nursing staffs	127	28	30
4	Total Number of Laboratory staffs	18	12	10
5	Total number of staffs on sick leave	0	0	0
6	Total number on study leave	1	1	0

Sub Program 11: Constructions and Maintenance of Buildings & Plants

S/NO.	INDICATOR	TARGET	FY 2020/2021	FY 2021/2022
1	Total Number of operational health facilities	1	1	1
2	Number of health facilities not operational	0	0	0
3	Number of health facilities with water	1	1	1
4	Number of health facilities/buildings condemned	0	1	1
5	Number of Motorcycles grounded at facilities	0	1	1
6	Number of GK Vehicles grounded at the facilities	0	1	1

Sub Program 12: Community Health Services

S/NO.	INDICATOR	TARGET	FY2020/2021	FY2021/2022
1	Community Units with updated household Registers	3	1/3*100 =33%	3/3*100 =100%
2	Proportion of Community Units providing monthly reports to facility	3	3/3*100 =100%	3/3*100 =100%
3	Proportion of Community units with CHV Kits	3	1/3*100 =33%	3/3*100 =100%
4	Proportion of Community units with updated CBHIS	3	1/3*100 =33%	3/3*100=100%
5	Number of community dialogue days held	9	6/9*100 =67%	9/9*100 =100%

6	Number Community Action Days held	9	$6/9 \times 100$ =67%	$9/9 \times 100$ =100%
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II. Corporate Governance Statement

The County Government of Kisumu has instituted systems to ensure that high standards of governance are maintained at all levels of the Hospital.

The Hospital Board of Management recognizes the importance of corporate governance and as such it carries out its mandate with honesty, openness, and integrity.

The Board of Management is responsible for the provision of oversight to the operational activities of the Hospital on behalf of the members of the public and citizen of Kenya in line with the manifesto of the Governor and Ministry of Health regulations and guidelines.

They are also entrusted with the responsibility of ensuring strong corporate governance and ethical practices within the Hospital. Their role extends to ensuring that the Hospital complies with the relevant laws.

The Board members attach great importance to the need to conduct the business and operations of the Hospital with integrity and in accordance with generally accepted corporate best practices.

Below are the key features of corporate governance structures and internal control systems put in place and that were in operation during the year.

BOARD OF MANAGEMENT

The Board of Management is composed of non-executive appointed members via The Kenya Gazette Notices after every 3 years.

Exercising the powers conferred by Article 183 and 186(1) of the constitution of Kenya 2010, and Part 2 of the Fourth schedule thereof, section 36 of the County Government Act and section 20 (n), (o), and (p) of the Health Act, 2017, the County Executive Committee Member, Health and Sanitation, Kisumu County, appointed on 11th October 2019 via The Kenya Gazette Notice issue 404; appointed the following see able to the Muhoroni Sub-County Hospital board for a term of 3 years to serve on part-time basis;

Name	Role
Mr Edward Onyango Ogwang	Chairperson of the Hospital management Board.
Mr Jarim odada	Board member in charge of financial management
Mr Simon Peter Okwama	Board member representing faith-based organisation
Ms Rose Wanyama	Board member representing H.C.S. D
Mr. Joshua Odingo	Board member representing Professionals
Ms Susan Akinyi Ogola	Board member representing Youths
Mr Billy Adero	Member
Dr. David Akuom	Medical Superintendent & secretary to the Board.

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The Board is held accountable and responsible for the effective governance of the institution. Members of the Board have a broad range of skills and experience, and each brings independent judgment and unique expertise and advisory perspectives to the Board's deliberations.

Summarized below are the key roles and responsibilities of the Board:

- Approve and adopt strategic plans and annual budgets, set objectives, and review key risk and performance areas.
- Determine overall policies and procedures to ensure integrity of the Hospital's management of risk and internal controls.
- Review, at regular meetings, Management's performance against approved deliverables.

The full Board meets at least five times a year and the Chairperson holds weekly meetings with the Chief Executive Officer.

The Board members are given appropriate and timely information to enable them maintain full and effective control over strategic, financial, operational and compliance matters.

Except for direction and guidance on general policy, the Board has delegated authority for conduct Of day-to-day business to the Chief Executive Officer. The Board nonetheless retains responsibility for establishing and maintaining the Hospital's overall internal control, financial, operational and compliance framework.

BOARD MEETINGS

The Board meets quarterly as per its annual work plan or additionally when necessary to consider matters of business oversight. The Board's agenda and work plan are prepared early in the year and adequate notice, agenda and Board papers are circulated within the stipulated timeline.

The Main Board held 8 meetings attended as follows:

Member	Meetings Attended
Mr Edward Onyango Ogwang	8
Mr Jarim odada	8
Mr Simon Peter Okwama	8
Ms Rose Wanyama	8
Mr. Joshua Odingo	8
Ms Susan Akinyi Ogola	1
Mr Billy Adero	8
Dr. David Akuom	1

BOARD REMUNERATION

Non-Executive directors provide services to the company to which they are entitled to a remuneration as provided for by the SRC guidelines and circulars on Remuneration of board members for level IV hospitals.

They are paid a standard fee for attending Board meetings, board committee meetings and any other company business that they may be called to undertake.

IX. Management Discussion and Analysis

Clinical/operational performance

Data from the Health records and information department shows the following details as to clinical/operational performance of Muhoroni County Hospital in the financial years of 2020/2021 and 2121/2022:

- 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

Performance Item/ Activity	Unit of count/ measure	Financial year	
		2021 -2022	2020 - 2021
Bed capacity of the hospital	No. of beds	44	44
Overall patient attendance during the year; both inpatient & outpatient	No. of patients	15,418	12,341
Accident and emergency attendance	No. of attendances	0	0
Specialised clinic attendance	No. of attendances	17,812	12,825
Average length of stay for inpatient	No. of days	30	30
Bed occupancy rate	Percentage	216%	326%
Mortality rate	Percentage	0.16%	0.23%

Surgical theatre utilisation – CS deliveries	No. of procedures	133	44
Surgical theatre utilisation – minor operations (circumcisions)	No. of procedures	529	996

The hospital lacks accidents and emergency department. As such all cases received within the periods above were all referred to either Kisumu County Referral Hospital or Jaramogi Oginga Odinga Teaching and Referral Hospital

Financial performance that includes

During the period the FY 2021-2022, Muhoroni County Hospital generated its revenues from the on-source revenue collections (service charges), NHIF and MARWA disbursements as well as the recurrent funds from the County Government of Kisumu.

The funds for the FY 2021 - 2022 were spent as per the details of this report

X. MCH Environmental And Sustainability Reporting

Muhoroni County Hospital (MCH) 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.

The Board of Management of Muhoroni County Hospital is committed to both the protection of the environment and evaluating the impact that the organisation’s services can have.

Compliance with legislation is the minimum standard to which the hospital shall adhere.

The hospital shall also endeavour to follow best practice with due regard for its business needs, in line with the requirements of NEMA and the expectations of all interested parties.

The objectives for the Hospital under this policy are to:

- Reduce the carbon footprint of the Hospital,
- Reduce energy consumption,
- Minimise the production of all types of waste, especially paper. Encourage reuse, recycling and the disposal of other waste that cannot be avoided, in a responsible manner.

All board members and Hospital management team are responsible for communicating and implementing the Policy and ensure that;

- a) Employees and contractors are encouraged to be receptive to the personal impact they can have on this policy and to report areas of concern.
- b) Training is provided as part of staff development taking into account responsibilities.
- c) Efforts are made to minimize travel by maximising IT systems.
- d) Favour the use of suppliers who are committed to environmental good practice.
- e) Carbon offsetting is implemented, that as a minimum, is commensurate to the level of the business travel.
- f) Pollution is prevented in all forms, especially from redundant electrical equipment.
- g) All incidents detrimental to the environment are reported, investigated and action taken to prevent reoccurrence.

The hospital management is committed to continually improving its performance by regularly reviewing its environmental impacts, and on an annual basis, update its policy in line with the review

The Hospital management follows the EU Taxonomy Regulation establishing six key environmental objectives towards sustainability;

- i) Climate change mitigation
- ii) Climate change adaptation
- iii) The sustainable use and protection of water and marine resources
- iv) The transition to a circular economy
- v) Pollution prevention and control
- vi) The protection and restoration of biodiversity and ecosystems

The Hospital management notes that different means may be required for an activity to make a substantial contribution to each objective and as leaders we must find ways to ensure impact measures continue to grow and evolve with changing needs.

For sustainability reporting to contribute to better decision-making, reporting needs to transition from voluntary practices to mandatory requirements; this effort is much appreciated.

XI. Report of The Board of Management

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

The Board of Management has the pleasure of submitting its annual report and the audited financial statements for Muhoroni County Hospital for the year ended 31 December 2021,

Principal activities

Muhoroni County Hospital provides not-for-profit public health care services towards realization of universal healthcare in Kenya.

Financial Performance

The hospital management received a total of Kshs 13,205,338 and Ksh 9,493,876 paid out on different expenses during the period and by end of the financial audit 30th June 2022 the hospital current liabilities stood at Kshs 5,348,504

Management prioritized the strengthening of governance frameworks, progressing infrastructure projects as well as playing an active role in managing the financial performance of the Hospital.

To achieve this, the hospital engaged the right people into a revamped organizational structure.

Patient satisfaction is at the centre of what we do. We compliment this with competent and experienced and courteous staff, cutting across different health disciplines.

We pride ourselves for a seamless integration of all these medical services to deliver the highest standard of healthcare. We have reviewed our existing processes, policies, and procedures to respond better to our clients' preferences.

Principal risks and uncertainties

The Board of management is constantly reviewing whether the policies and risk management programs in place are appropriate and effective to manage and minimize the exposure in the long term.

The risks that the Hospital is exposed to include:

- Financial Risks, these include the market risks, credit risk, foreign exchange fluctuations exposure and other regulatory risks that affect the market and financial sector operations which could have a ripple effect on the hospital
- Operational risk mainly includes both internal and external factors that affect the hospital processes, personnel, technology, and infrastructure
- The legal and regulatory requirements can have a significant impact on the operations of the Hospital

Corporate Social Responsibility

Social sustainability requires development of policies and practices that promote the co-existence of the association with both the internal and external stakeholders.

The hospital continues to be actively involved in corporate social responsibilities within various Communities.

Outlook

The Hospital's focus continues to be on quality patient care, which is the pillar of the Hospital, and it is with this culture of service excellence that continues to strengthen our patient-focus, service delivery and processes to deliver healthcare with a difference.

This is outlined in our strategic plan and the initiatives to deliver quality to all our stakeholders.

While the operating environment still poses challenges, we have taken deliberate strategies to ensure that the delivery of these initiatives remains on track.

BOARD OF MANagements' STATEMENT AS TO INFORMATION GIVEN TO AUDITORS

Each of the persons who is a member of the Board of Management at the date of approval of this report confirms that: so far as the Board Member is aware, there is no relevant audit information of which the auditors are unaware; and the Board Member has taken all the steps that he/she ought to have taken as a Board Member to make himself/herself aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

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

By Order of the Board

.....
Dr. David Akuom



XII. Statement of Board of Management's Responsibilities

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

The Board of Management is responsible for the preparation and presentation of MCH financial statements, which give a true and fair view of the state of affairs of MCH 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 MCH ; (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 MCH financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012.

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

They also accept responsibility for:

- Designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- Selecting suitable accounting policies and applying them consistently; and
- Making accounting estimates and judgements that are reasonable in the circumstances.

The Hospital Board of Management acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Nothing has come to the attention of the Board of management to indicate that MCH 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 15/8/2022 and signed on its behalf by:

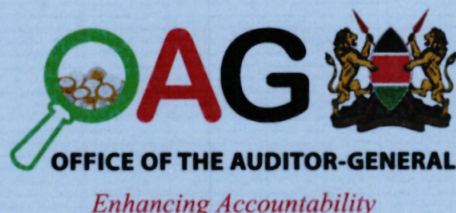
.....
Name: Edward Onyango Ogwang
Chairperson
Board of Management

Name:
Accounting Officer

Dr. AKUONA O. SAKI


REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON MUHORONI COUNTY HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2022 - COUNTY GOVERNMENT OF KISUMU

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, gazetted notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Muhoroni County Hospital set out on pages 31 to 66, 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Muhoroni County Hospital - County Government of Kisumu 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 do not comply with the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1.0. Inadequate Presentation and Disclosure in the Reports and Financial Statements

Review of the annual report and financial statements revealed the following anomalies and instances of non-compliance with the reporting template for levels 4 and 5 hospitals, issued by the Public Sector Accounting Standards Board in June, 2022: -

- i. The Board of Management table at page vii does not include members' passport size photos, key qualifications and work experience as required;
- ii. The Management Team table at page viii does not include staff's passport size photos, key qualifications as required;
- iii. The statement of changes in net assets and statement of comparison of budget and actual amounts are omitted from the financial statements;
- iv. The notes' numbers indicated in the statement of financial position and Note 41 in the statement of cash flows do not match the numbers of the supporting notes to the financial statements as summarized below;

Component	Note as per Financial Statement	Note as per Respective Note(s) to the Financial Statements
Cash and cash equivalents	27	15 and 27 (a)
Receivables from exchange transactions-NHIF	28	16
Trade and other payables	34	20
Net cash flows from operating activities	41	22

This was contrary to Section 164(1) of the Public Finance Management Act, 2012 which requires accounting officer of a county government entity to prepare financial statements of the entity in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time.

In the circumstances, Management was in breach of the law and the presentation and disclosures in the financial statements do not comply with the accounting standards prescribed the Public Sector Accounting Standards Board.

2.0. Variances between Financial Statements and Ledger/Trial Balance

The financial statements reflect expenses and assets balances which differ with the corresponding balances shown in the supporting ledger schedules, resulting in unexplained variances as analyzed below: -

Description	Financial Statements Amount Kshs.	Ledger Amount Kshs.	Variance Kshs.
Revenues			
Transfers from County Government	6,740,426	9,790,426	3,050,000
Rendering of services-medical service income	6,404,912	1,187,035	5,217,877
Expenses			
Medical/ Clinical costs	2,471,210	4,432,848	1,961,638
Employee cost	2,414,614	1,386,700	1,027,914
Repairs and Maintenance	1,507,152	1,457,152	50,000
General Expenses	2,476,900	2,508,955	32,055
Assets			-
Cash and cash equivalents	3,790,334		3,790,334
Medical Services Receivables (Unpaid NHIF claims)	342,070	-	342,070
Liabilities			
Trade and other receivables	5,348,504	10,456,466	5,107,962

3.0. Inaccuracies in Revenue

Review of the revenue accounting revealed the following inaccuracies: -

3.1. Variance in Transfers from the County Government between Financial Statements and Cash Book

The statement of financial performance reflects transfers from the County Government balance of Kshs.6,740,426 while review of the cash book revealed receipts from the County Government amounting to Kshs.10,255,572 resulting in an unreconciled variance of Kshs.3,515,146.

In the circumstances, the accuracy and completeness of the transfers from the County Government amount of Kshs.6,740,426 for the year ended 30 June, 2022 could not be confirmed.

3.2. Variances in Revenue Collected

The statement of financial performance reflects rendering of services-medical service revenue and revenue from rent of facilities amounts of Kshs.6,404,912 and Kshs.60,000 respectively totalling Kshs.6,464,912. However, the revenue statement generated from the Revenue Management System used by the Hospital for collecting revenue indicated revenue amounting to Kshs.4,885,712, resulting in an unexplained variance of Kshs.1,579,200.

In the circumstances, the accuracy and completeness of the rendering of services-medical service revenue and revenue from rent of facilities amounts of Kshs.6,404,912 and Kshs.60,000 respectively totalling to Kshs.6,464,912 for the year ended 30 June, 2022 could not be confirmed.

3.3. Inaccuracy in Revenue from National Health Insurance Fund

The statement of financial performance reflects NHIF claims Nil balance while Note 9 to the financial statements reflects an amount of Kshs.1,734,390, resulting in an unexplained variance of Kshs.1,734,390.

In the circumstances, the accuracy and completeness of the Nil balance in respect of NHIF claims for the year ended 30 June, 2022 could not be confirmed.

3.4. Unsupported Revenue from Exchange Transactions

The statement of financial performance reflects revenue from exchange transactions balance of Kshs.6,464,912. However, review of the documentation provided for audit revealed that during the year under review, Management did not retain the receipts issued by the County Treasury to acknowledge receipt of revenue remitted by the Hospital. It is therefore unclear as to how much the Hospital banked in the County Revenue Fund and the amount retained, if any.

In the circumstances, the accuracy and completeness of revenue from exchange transactions balance of Kshs.6,464,912 for the year ended 30 June, 2022 could not be confirmed.

4.0. Variances in Board of Management Expenses

The statement of financial performance reflects a Board of Management expense of Kshs.624,000, while payment vouchers show that Board members were paid a total of Kshs.652,500 during the year under review, resulting in an unexplained variance of Kshs.28,500. Further, review of minutes of the Hospital Management Board's meetings held on 8 July, 2021 and 5 October, 2021 revealed that the members deliberated and approved the budget proposed by the Hospital Management Team for amounts Kshs.200,000 and Kshs.155,500 respectively, totalling to Kshs.355,500. Therefore, the

Board of Management expenses of Kshs.624,000 includes an unapproved amount of Kshs.268,500 which was not justified.

In the circumstances, the accuracy and completeness of the Board of Management expenditure of Kshs.624,000 for the year ended 30 June, 2022 could not be confirmed.

5.0. Unbalanced Statement of Financial Position

The statement of financial position reflects accumulated surplus balance of Kshs.1,216,100, while the statement of financial performance shows a surplus for the year of Kshs.3,711,462, resulting in an unexplained variance of Kshs.2,495,362. Further, the statement of financial position reflects a total net assets and liabilities negative balance of Kshs.1,216,100 which differs from the re-computed balance of Kshs.9,059,966, resulting in an unexplained variance of Kshs.10,276,066. The re-computed total net assets and liabilities balance of Kshs.9,059,966 also differs from the total assets balance of Kshs.4,132,404, resulting in a variance of Kshs.5,737,044.

In the circumstances, the statement of financial position as at 30 June, 2022 is not fairly presented.

6.0. Inaccuracy of Cash and Cash Equivalents Balance

The statement of financial position reflects cash and cash equivalents balance of Kshs.3,790,334 which, as disclosed in Note 27(a) to the financial statements, comprises bank balance of Kshs.740,334 and 2020/2021 accrued revenue balance of Kshs.3,050,000. No explanation was provided for treating the latter amount as cash and cash equivalents and not receivables from exchange transactions. Further, the balance of Kshs.3,790,334 differs with cash and cash equivalents balance as at 30 June, 2022 of Kshs.3,711,462, resulting in an unreconciled variance of Kshs.78,872. In addition, cash book and bank reconciliation statement in support of the bank balance of Kshs.740,334 were not provided for audit.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.3,790,334 as at 30 June, 2022 could not be confirmed.

7.0. Inaccuracies in Statement of Cash Flows - Cash Generated from Operations

The statement of cash flows reflects net cash flows from operating activities amount of Kshs.3,711,462 while the supporting Note 22 to the financial statements reflects Nil amount resulting in an unexplained variance of Kshs.3,711,462.

In the circumstances, the statement of cash flows as at 30 June, 2022 is not fairly presented.

8.0. Non-Disclosure of Inventories

The statement of financial position reflects Nil balance against inventories, despite the fact that a hospital is expected to have inventories in form of pharmaceutical and non-pharmaceutical items at any one given time. No satisfactory explanation was provided for

the omission. Further, no inventory valuation report was provided for audit to show how Management arrived at the reported Nil inventories balance.

In the circumstances, the accuracy and completeness of the Nil balance in respect of inventories as at 30 June, 2022 could not be confirmed.

9.0. Unaccounted for Property, Plant and Equipment

The statement of financial position reflects Nil balance in respect of property, plant and equipment. However, audit inspection of the Hospital premises and offices revealed various assets of undetermined value including land, buildings, motor vehicles, hospital equipment, computers and furniture and fittings.

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

10.0. Unsupported Amounts in the Financial Statements

Review of the expenditure revealed that various reported amounts were not adequately supported as indicated below: -

10.1. Unsupported Expenditure from Authorities to Incur Expenditure

The statement of financial performance reflects total expenses of Kshs.9,493,876. However, payment vouchers and related supporting documents in support of expenditure of Kshs.544,580 from the following Authorities to Incur Expenditure (AIEs) were not provided for audit: -

AIE No.	Description	Amount (Kshs.)
32708	Maintenance plant machinery and equipment	132,600
32708	Electricity	67,400
32718	Maintenance plant machinery and equipment	70,000
32718	Casual Wages	124,580
32718	Medical Drugs	150,000
	Total	544,580

In the circumstances, the occurrence and propriety of the expenditure of Kshs.544,580 from the two AIEs could not be confirmed.

10.2. Unsupported Expenditure on Repairs and Maintenance

The statement of financial performance reflects repairs and maintenance balance of Kshs.1,507,152. Review of records provided for audit revealed that an amount of Kshs.1,457,152 was spent by casuals who were issued with temporary imprests for repairs and maintenance. However, the surrender vouchers and other supporting documents, such as imprest warrants and receipts were no provided for audit.

In the circumstances, the accuracy, completeness, and propriety of the repairs and maintenance expenditure of Kshs.1,457,152 could not be confirmed.

10.3. Unsupported Pending Claims Receivable from NHIF

The statement of financial position reflects receivables from exchange transactions balance of Kshs,342,070 which, as disclosed in Note 28 to the financial statements, relates to medical services receivable (Unpaid NHIF Claims). However, the ledger schedule and other requisite documentation supporting the amount were not provided for audit.

In the circumstances, the accuracy, completeness and existence of the receivables from exchange transactions balance of Kshs.342,070 could not be confirmed.

10.4. Irregular and Unsupported Payment of Salaries to Casuals

The statement of financial performance reflects employee costs of Kshs.2,414,614 which includes wages for casuals amounting to Kshs.1,267,700 paid without following the necessary processes, including validation, authorization and raising payment vouchers. Further, examination of cash book revealed that the payments were made in bulk, which included pending salaries not paid for previous months. As a result, it was difficult to carry out the following tests: validation of payroll; confirming the transactions posted in the payroll ledger accounts against the total payroll expenses for the period; and verifying reconciliation of bank remittances and cash payment amounts with the totals shown on the payroll register.

In the circumstances, the accuracy, completeness and regularity of the expenditure of Kshs.1,267,700 on casuals could not be confirmed.

11.0. Unsupported Trade Payables Balance

The statement of financial position reflects trade and other payables balance of Kshs.5,348,504 which, as disclosed in Note 20 to the financial statements, relates to trade payables, which differs with an amount of Kshs.10,456,466 reflected in the supporting schedule as reported in Paragraph 2.1 above, resulting to a variance of Kshs.5,107,962. In addition, the supporting aging analysis was not provided for audit. Further, the latter balance includes pending bills amounting to Kshs.8,273,787 whose supporting documents, including quotations, invoices, delivery notes, counter receipt vouchers (Form S.13), and counter requisition and issue vouchers (Form S.11) were not provided for audit.

In the circumstances, the accuracy, authenticity and existence of the pending bills of Kshs.5,348,504 could not be confirmed.

12.0. Unsupported Adjustments in Financial Statement Balances

Review of the original financial statements submitted for audit and the amended ones revealed the following adjustments in balances whose supporting journal entries were not provided for audit: -

Item	Amended Financial Statements Amount Kshs.	Original Financial Statements Amount Kshs.	Adjustment Kshs.
Revenues			
Transfers from County Government	6,740,426	9,790,426	(3,050,000)
Rendering of services-medical service income	6,404,912	942,000	5,462,912
Expenses			
Medical/ Clinical costs	2,471,210	4,432,848	(1,961,638)
Employee cost	2,414,614	1,576,580	838,034
Board of Management expenses	624,000	400,000	224,000
Repairs and Maintenance	1,507,152	2,078,355	(571,203)
General Expenses	2,476,900	1,990,117	486,783
Assets			
Cash and cash equivalents	3,790,334	740,334	3,050,000
Medical Services Receivables (Unpaid NHIF claims)	342,070	2,497,500	(2,155,430)
Liabilities			
Trade and other receivables	5,348,504	11,058,366	(5,709,862)

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

13.0 Lack of Trial Balance

The trial balance used to prepare the financial statements was not provided for audit

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Non-Compliance with Law on Budget Preparation

Information provided for audit indicated that the budget process started when the Hospital received money from the County Treasury. This is contrary to Regulation 30(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the budget preparation process for the following financial year to start not later than the 30th August of the current financial year.

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

2.0 Non Compliance with Law on Cash Flow Planning

During the year under review, the Hospital Management did not prepare and submit an annual cash flow plan and forecasts to the County Treasury. This is contrary to Section 120(2) of the Public Finance Management Act, 2012 which requires every county government entity to submit an annual cash flow plan and forecasts to the County Treasury in a form and manner directed by County Treasury.

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

3.0 Irregular Direct Procurement of Medical/Clinical Goods and Services

The statement of financial performance reflects medical/clinical costs of Kshs.2,471,210. Examination of sampled payment records and vouchers revealed that the Management procured goods directly by issuing Local Purchase Orders to suppliers amounting to Kshs.1,732,800 without subjecting them to the procurement processes. This was contrary to Section 106 of the Public procurement and Asset Disposal Act, 2015 on prequalified listing of suppliers. Further, the Management paid to individual persons who lacked registered business names an additional amount of Kshs.491,110 for supply of goods.

In the circumstances, Management was in breach of law.

4.0 Non-Retention of Own Generated Revenue

The statement of financial performance reflects rendering of services-medical service income balance of Kshs.6,404,912. However, review of the cash book and receipts from the County Government revealed that the Hospital did not retain the revenue it earned up to 9 May, 2022 in its Facility Improvement Fund account. This is contrary to Section 3(f) of the Kisumu County Health Facilities Improvement Fund Act, 2021 which provides that the object and purpose of the Act is to facilitate retention of moneys collected by public health facilities for the purpose of supporting the facilities to deliver relevant services’.

In the circumstances, the Hospital may not be able to deliver mandate due to lack adequate funds to finance its operations.

5.0 Underpayment of Casual Workers

The statement of financial performance reflects employee costs balance of Kshs.2,414,614 which includes wages of Kshs.1,390,300 paid to casual labourers. However, review of records relating to the expenditure revealed that the casuals were paid monthly wage of Kshs.6,400, Kshs.6,500, Kshs.7,100, Kshs.8,000, Kshs.8,200 and Kshs.11,200 against the recommended minimum wage of Kshs.13,573 for general casuals as per the Kenya Gazette Supplement No. 1 dated 8 January, 2019. As a result, the payments of Kshs.1,390,300 was below the recommended minimum wage amounting to Kshs.2,673,881, resulting to underpayments to casuals totalling to Kshs.1,283,581 as summarized below:

Month	No of Casuals	Total Pay at Minimum Wage Rate of Kshs.13,573 Kshs.	Actual Payment Kshs.	Under-Payment Kshs.
July, 2021	15	203,595	103,500	100,095
August, 2021	17	230,741	118,000	112,741
September, 2021	16	217,168	110,000	107,168
October, 2021	17	230,741	119,000	111,741
November, 2021	17	230,741	119,000	111,741
December, 2021	16	217,168	112,600	104,568
January, 2022	17	230,741	119,000	111,741
February, 2022	17	230,741	120,400	110,341
March, 2022	17	230,741	120,400	110,341
April, 2022	16	217,168	120,400	96,768
May, 2022	16	217,168	114,000	103,168
June, 2022	16	217,168	114,000	103,168
Total		2,673,881	1,390,300	1,283,581

In the circumstances, Management was in breach of the law and the Hospital risks legal action for payment of wages below the recommended rates.

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

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

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion, Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and governance sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

Internal Controls Weaknesses Related to Payments

Examination of payment vouchers revealed that the vouchers were not serially numbered, examined and authorized. Further, the dates the vouchers were posted in the cashbook were also not indicated.

In the circumstances, the effectiveness of internal controls over payments could not be confirmed.

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

Responsibilities of Management and Board of Management

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in

which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

27 September, 2023


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

Description	Notes	2021/22 Kshs
Revenue from non-exchange transactions		
Transfers from the County Government	6	6,740,426
Revenue from exchange transactions		
Rendering of services- Medical Service Income	7	6,404,912
Revenue from rent of facilities	8	60,000
Finance /Interest Income		
NHIF claims	9	0
Revenue from exchange transactions		
Total revenue		13,205,338
Expenses		
Medical/Clinical costs	10	2,471,210
Employee costs	11	2,414,614
Board of Management Expenses	12	624,000
Depreciation and amortization expense		0
Repairs and maintenance	13	1,507,152
Grants and subsidies		0
General expenses	14	2,476,900
Finance costs		
Total expenses		9,493,876
Other gains/(losses)		
Gain on disposal of non-Current assets	23	0
Unrealized gain on fair value of investments	24	0
Medical services contracts Gains/Losses	25	0
Impairment loss	26	0
Gain on foreign exchange transactions		0
Total other gains/(losses)		

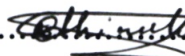
Muhoroni Level iv County Hospital (Kisumu County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

Net Surplus for the year		3,711,462
Attributable to:		
Surplus/(deficit) attributable to minority interest		
Surplus attributable to owners of the controlling entity		

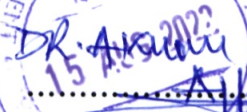
The Hospital's financial statements were approved by the Board on 15/2/2022 and signed on its behalf by:




Chairman
Board of Management

Ezekiel Owunga


Head of Finance
ICPAK No:

 **DAWA**

Medical Superintendent




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

Description	Notes	2021/22 Kshs
Assets		
Current assets		
Cash and cash equivalents	27	3,790,334
Receivables from exchange transactions- NHIF	28	342,070
Receivables from non-exchange transactions	29	
Inventories	30	
Total Current Assets		
Non-current assets		
Property, plant, and equipment	31	
Intangible assets	32	
Investment property	33	
Total Non-current Assets		
Total assets		4,132,404
Liabilities		
Current liabilities		
Trade and other payables	34	5,348,504
Refundable deposits from customers/Patients	35	0
Provisions	36	0
Finance lease obligation	37	0
Current portion of deferred income	38	0
Current portion of borrowings	39	0
Total Current Liabilities		5,348,504
Non-current liabilities		
Provisions	36	0
Non-Current Finance lease obligation	37	0
Non-Current portion of deferred income	38	0
Non - Current portion of borrowings	39	0
Service concession liability	40	0
Total Non-current liabilities		0
Total Liabilities		5,348,504

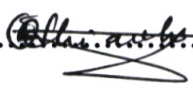
Muhoroni Level IV County Hospital (Kisumu County Government)
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Description	Notes	2021/22 Kshs
Net assets		
Revaluation reserve		0
Accumulated surplus/Deficit		1,216,100
Capital Fund		0
Total Net Assets and Liabilities		(1,216,100)



The Hospital's financial statements were approved by the Board on 15/2/2022 and signed on its behalf by:



 ...
Chairman
Board of Management

Ezekiel Odugo


 .
Head of Finance
ICPAK No:




Medical Superintendent

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

Description	Note	2021/22 Kshs
Cash flows from operating activities		
Receipts		
Transfers from the County Government	6	6,740,426
Rendering of services- Medical Service Income	7	6,404,912
Revenue from rent of facilities	8	60,000
Finance / other income i.e. nhif	9	0
Total Receipts		13,205,338
Payments		
Medical/Clinical costs	10	2,471,210
Employee costs	11	2,414,614
Board of Management Expenses	12	624,000
Repairs and maintenance	13	1,507,152
General expenses	14	2,476,900
Finance costs		0
Refunds paid out		0
Total Payments		9,493,876
Net cash flows from operating activities	41	3,711,462
Cash flows from investing activities		
Purchase of property, plant, equipment, & intangible assets		0
Proceeds from the sale of property, plant, and equipment		0
Acquisition of investments		0
Net cash flows used in investing activities		0
Cash flows from financing activities		
Proceeds from borrowings		0
Repayment of borrowings		0
Capital grants received		0
Net cash flows used in financing activities		0
Net increase/(decrease) in cash and cash equivalents		0
Cash and cash equivalents at 1 July	27	0
Cash and cash equivalents at 30 July	27	3,711,462

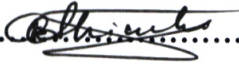
The Hospital's financial statements were approved by the Board on _____ and signed on its behalf by:

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



Chairman
Board of Management

Ezra P. Omondi



Head of Finance
ICPAK No:



DR. AKWANGI O. DAVID

Medical Superintendent

XVII. Notes To the Financial Statements

1. General Information

Muhoroni County Hospital is established by a gazette notice and derives its authority and accountability from Kisumu County Facility Improvement Fund Act, 2021 and the PFM Act, 2012. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to provide universal healthcare services.

2. Statement Of Compliance And Basis Of Preparation

This is the first time that the Hospital management has prepared an annual financial statement for Muhoroni Level IV Hospital. On the same note, the management explicitly discloses that FY 2021-2022 financial statements have been prepared on First time adoption of Accrual basis IPSAS.

Being first time preparation of annual financial statement and first time adoption of the Accrual basis IPSASs, the 2021-2022 Financial statements do not fully comply with accrual basis IPSASs.

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 financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the MCH.

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 Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

Notes to the Financial Statements (Continued)

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

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

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

Muhoroni Level iv County Hospital (Kisumu County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

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

ii. Early adoption of standards

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

4. Summary Of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

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

Notes to the Financial Statements (Continued)

Revenue from exchange transactions

Rendering of services

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

Sale of goods

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

Interest income

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

Dividends

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

Rental income

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

Notes to the Financial Statements (Continued)

b) Budget information

The original budget for FY 2021-2022 was approved by Board on **24/5/2021**. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of **1,000,000** on the FY 2021-2022 budget following the Board's approval. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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

c) Taxes

Sales tax/ Value Added Tax

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

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

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 **I** year. 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.

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

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.

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.

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.

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) 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.

l) 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.

m) 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.

n) 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.

o) 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.

p) 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.

q) 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.

r) Comparative figures

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

s) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

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

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.

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

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6. Transfers From The County Government

Description	2021/22
	KShs
Unconditional grants	
Operational Recurrent grant	6,740,426.00
Level 5 grants	0
Other grants	0
Conditional grants	
User fee forgone	0
Transforming health services for Universal care project (THUCP)	0
DANIDA	0
Wards Development grant	0
Paediatric block grant	0
Administration block grant	0
Laboratory grant	0
Total government grants and subsidies	6,740,426.00

6 Transfers from The County Government

Name of the Entity sending the grant	Amount recognized to Statement of financial performance KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year
			KShs	KShs
Kisumu County Government	6,740,426.00	0	0	6,740,426.00
Total	6,740,426.00	0	0	6,740,426.00

7. Rendering of Services-Medical Service Income

Description	2021/22
	KShs
Pharmaceuticals	851,253.20
In-patient-general wards	910,079.40
maternity	1,138,610
Radiology	165,750
Laboratory	713,464.05
Theatre	28,500
mortuary	2,500
outpatient	204,640
Record department	605,460
Occupational therapy	26,300
Medical examination	61,250
MCH/FP Services	2,415
dental	10,950
Other medical services	31,550
NHIF	1,123,200
MARWA	96,000
Total revenue from the rendering of services	6,004,911.65

8. Revenue From Rent of Facilities

Description	2021/22
	KShs
Residential property	60,000
Commercial property	0
Total Revenue from rent of facilities	60,000

9. Other Income

Description	2021/22
	KShs
Insurance recoveries	1,734,390
Total other income	1,734,390

10. Medical/ Clinical costs

Description	2021/22
	KShs
Laboratory chemicals and reagents	500,000
Food and Ration	731,110
Dressing and Non-Pharmaceuticals	427,800
Pharmaceutical supplies	570,000
Health information technology	80,000
Sanitary and cleaning materials	102,300
Purchase of Medical gases	60,000
Total medical/ clinical costs	2,471,210

11. Employee Costs

Description	2021/22
	KShs
Salaries, wages, and allowances	2,414,614
Employee costs	2,414,614

12. Board of Management Expenses

Description	2021/22
	KShs
Sitting allowance	624,000
Total	624,000

13. Repairs And Maintenance

Description	2021/22
	KShs
Property- Buildings	980,152
Medical equipment	128,000
Computers and accessories	100,000
Motor vehicle expenses	299,000
Total repairs and maintenance	1,507,152

14. General Expenses

Description	2021/22
	KShs
Bank charges	23,432
Contracted services	355,000
Electricity expenses	297,400
Travel and accommodation allowance	30,000
Printing and stationery	315,000
Water and Sewerage	2,000
Telephone and mobile phone services	60,000
Internet expenses	30,000
General Office Supplies	133,500
Referral services	530,000
Other medical related clinical costs (other fuels)	270,000
Other medical related clinical costs (refined fuels & Lubricants)	420,000
Total General Expenses	2,706,332.00

15. Cash and Cash Equivalents

Description	2021/22
	KShs
Current accounts	3,790,332.68
On - call deposits	
Fixed deposits accounts	
Cash in hand	
Others(specify)- Mobile money	
Total cash and cash equivalents	3,790,332.68

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

Description		2021/22
Financial institution	Account number	KShs
a) Current account		
Kenya Commercial bank - Muhoroni branch	1148799214	740,332.68
b) Others (2020/2021 accrued revenue)		3,050,000.00
Sub- total		
Grand total		3,790,332.68

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Note: The Kshs 3,000,000 refers to FY 2020/2021 recurrent funds from the county treasury that was credited into the endowment bank account in July 2021 (within financial year under review)

16. Receivables From Exchange Transactions

Description	2021/22
	KShs
Medical services receivables (Unpaid NHIF Claims)	342,070
Total receivables	342,070

17. Inventories

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

Not

18. Intangible Assets-Software

Description	2021/22
	KShs
Cost	
At beginning of the year	0
Additions	0
Additions–Internal development	0
Disposal	0
At end of the year	0
Amortization and impairment	
At beginning of the year	0
Amortization for the period	0
Impairment loss	0
At end of the year	0
NBV	0

19. Investment Property

Description	2021/22
	KShs
At beginning of the year	0
Additions	0
Fair value gain	0
Depreciation (where investment property is at cost)	0
At end of the year	0

20. Trade And Other Payables

Description	2021/22
	KShs
Trade payables	5,348,504
Employee dues	0
Third-party payments (unremitted payroll deductions)	0
Audit fee	0
Doctors' fee	0
Total trade and other payables	5,348,504

Notes to the Financial Statements (Continued)

21. Refundable Deposits from Customers/Patients

Description	2021/22
	KShs
Medical fees paid in advance	0
Credit facility deposit	0
Rent deposits	0
Others (specify)	0
Total deposits	0

22. Cash Generated from Operations

	2021/22
Surplus for the year before tax	KShs
Adjusted for:	
Depreciation	0
Non-cash grants received	0
Impairment	0
Gains and losses on disposal of assets	0
Contribution to provisions	0
Contribution to impairment allowance	0
Working Capital adjustments	0
Increase in inventory	0
Increase in receivables	0
Increase in deferred income	0
Increase in payables	0
Increase in payments received in advance	0
Net cash flow from operating activities	0

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

Notes to the Financial Statements (Continued)

23. Financial Risk Management

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

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

(i) Credit risk

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

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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				
Receivables from –non-exchange transactions				
Bank balances				
Total				
At 30 June 2022				
Receivables from exchange transactions				
Receivables from –non-exchange transactions				
Bank balances				
Total				

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

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has significant concentration of credit risk on amounts due from 1st July 2021.

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

(ii) Liquidity risk management

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

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

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

(iii) Market risk

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

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

a) Foreign currency risk

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

	KShs	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 20xx			
Financial assets (investments, cash, debtors)			
Liabilities			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)			

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

	KShs	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 20xx			
Financial assets (investments, cash, debtors)			
Liabilities			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)			

Notes to the Financial Statements (Continued)

Foreign currency sensitivity analysis

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

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

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 xxx (20xx: KShs xxx). A rate increase/decrease of 5% would result in a decrease/increase in surplus of KShs xxx (20xx – KShs xxx).

iv) Capital Risk Management

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

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

24. 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:

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

25. Contingent Liabilities

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

(Give details)

26. Capital Commitments

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

27. Events After the Reporting Period

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

28. Ultimate and Holding Entity

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

29. Currency

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

Muhoroni Level iv County Hospital (Kisumu County Government)
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XVIII. Appendices

Appendix 1: Progress on Follow Up Of Auditor Recommendations

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

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

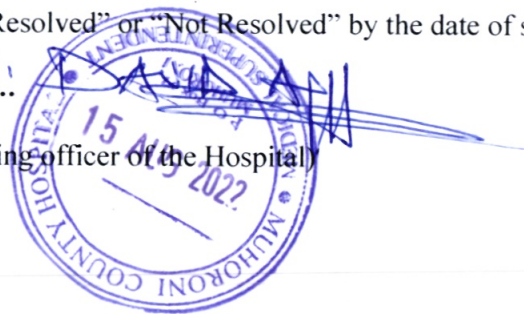
Guidance Notes:

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

Dr. Akinyi O. ...

Accounting Officer

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



Muhoroni Level iv County Hospital (Kisumu County Government)
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APPENDIX II: Projects Implemented by The Entity

Projects

Projects implemented by the Hospital Funded by development partners

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

Status of Projects completion

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

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

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APPENDIX IV: Inter-Entity Confirmation Letter
[Insert your Letterhead]

[Insert name of beneficiary entity]
 [Insert Address]

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

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

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

Head of Accountants department of beneficiary entity:

Name SignDate

APPENDIX V Reporting of Climate Relevant Expenditures

Name of the Organization

Telephone Number

Email Address

Name of Medical Supp/MD/Head

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

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

APPENDIX VI Disaster Expenditure Reporting Template

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