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REPORT

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THE AUDITOR-GENERAL

ON

WAJIR COUNTY REFERRAL HOSPITAL

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

COUNTY GOVERNMENT OF WAJIR

04 JUN 2024



WAJIR COUNTY REFERRAL HOSPITAL

(WAJIR COUNTY GOVERNMENT)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2022

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

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I. Key Hospital Information and Management

(a) Background information

Wajir County Referral Hospital is a level 4 hospital domiciled in WAJIR County under the Medical services department. The hospital is governed by Hospital Management Team.

(b) Principal Activities

The principal activity of Wajir County Referral hospital is to provide medical services.

Vision:

To be a model centre for provision of acceptable, affordable and sustainable health care in a resource poor environment.

Mission:

To maximize use of our limited resources and opportunities to provide the best possible health services to all.

Core Values

Wajir county referral hospital has values that drive the institution in the decisions that we make. They are as follows;

- Service delivery
- Timeliness
- Customer service
- Efficiency & effectiveness in all individual or group undertakings
- Respect for all in the organization irrespective of background
- Proper utilization of scarce resources
- Humane approach to all
- Cooperation and team work at all times
- Sharing experience and disseminating knowledge

(c) Key Management

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

i) County department of health

It's led by the county executive committee who takes overall responsibility in the day-to-day running of the Hospital on behalf of the Board of Management by;

- ✓ Providing visionary and transformational leadership
- ✓ Overseeing the implementation of the Boards resolutions
- ✓ Support to Board of Management for effective oversight
- ✓ Evaluate the hospital long term healthcare service effectiveness
- ✓ Review and recommend appropriate actions for strategic operational plans and policies
- ✓ Review performance improvement activities and patient's safety efforts
- ✓ Identify, evaluate and implement the scope of services, practice and governance of the hospital
- ✓ Prudent management of resources
- ✓ Formulating long-term strategies and business plans
- ✓ Monitoring and evaluating performance
- ✓ Ensuring effective communication within the Hospital

ii) Board of Management

The key responsibilities for the Board are;

- ✓ Ensure that strategy is aligned with the purpose of the Hospital and legitimate interests and expectations of stakeholders.
- ✓ Ensure that the strategy of the Hospital is aligned to the long-term goals on sustainability so as not to compromise the ability of the future generations to meet their own needs.
- ✓ Approve the Hospital structure.
- ✓ Approve the annual budget of the Hospital.
- ✓ Monitor the Hospital performance and ensure sustainability.
- ✓ Enhance the corporate image of the Hospital.
- ✓ Ensure availability of adequate resources for the achievement of the Hospital objectives.
- ✓ Ensure effective communication with stakeholders.
- ✓ Protect the assets of the Hospital.

iii) Accounting Officer/ Medical Superintendent

These are the responsibilities of the accounting officer of the hospital;

- ✓ The custodian of the hospital's book of accounts
- ✓ Manage all accounting transactions
- ✓ Prepare budget forecast
- ✓ Publish financial statements on time
- ✓ Handle monthly, quarterly and annual closings
- ✓ Reconcile accounts payable and receivable
- ✓ Ensure timely bank payments
- ✓ Compute taxes and prepare tax returns
- ✓ Manage balance sheets and profit/loss statements

iv) Management

- ✓ Serve as a liaison between the staff, management and patients
- ✓ Design and implement short, medium and long-term goals for the medical facility
- ✓ Frame budgets and operational strategy for each department.
- ✓ Oversee the finances of the hospital, including setting the rates for various health services, budgeting and revenue monitoring.
- ✓ Streamline the operational procedures of the facility to provide patients with the best care.

(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:

1.	Medical Superintendent	DR Bashir Mohamed
2.	Head of finance	CPA Hashim Abdikadir Hassan
3.	Hospital Accountant	Abdikadir Haji Abdirahman
3.	Head of supply chain	Yussuf Kheir Abdihakim
4.	Hospital Administrator	Roble Hassan Ibrahim

5. Director Nursing Services	Mohamed Maalim Hassan

(e) Fiduciary Oversight Arrangements

The oversight arrangements include;

1. Clinical Research and Standards Committee.

- i) Identifying health care service problems in the hospital and ensuring that they are resolved;
- ii) Review any changes on policy issues on standards, quality assurance and research;
- iii) Liaise with the Medical Advisory Committee on matters of quality health care delivery

2. Audit committee

- i) Reviewing quarterly, half-yearly and annual financial statements before submission to the Board;
- ii) Reviewing the performance, objectivity, and independence of external auditors;
- iii) Consideration of audit findings by the external auditors;
- iv) Monitoring and reviewing the effectiveness of the Hospital's internal audit function;

3. Risk Committee

- i) Reviewing the Hospital's internal control and ensuring quality, integrity, effectiveness and reliability of the Hospital's risk management framework.
- ii) Provide a forum for communication between the board, management and external risk management advisors
- iii) Assist the board in its oversight responsibilities by monitoring and advising on operational risks, including clinical risks.

4. County Assembly

- i) Scrutinize Budget estimates and budget documents and make appropriate recommendations;
- ii) Monitors budget performance of the hospital
- iii) Ensure that the relevant hospitals accounts on its expenditure;
- iv) Consider reports of the Auditor-General;

5. Parliamentary committees

- i) Develop a framework to guide and assist County Governments in the establishment of institutional structures for the management of health;

- ii) Coordinate intra and inter agency and governmental consultations on health sector issues, including existing and evolving health policies, legislation, regulations and programmes;
- iii) Coordinate and harmonize CoG views and perspectives on health matters;
- iv) Create forums for sharing of emerging issues and best practices, including modalities for prioritization and promotion of health an instrument for socio-economic growth

(f) Hospital Headquarters

Wajir County Referral Hospital,
P.O. Box 2-70200,
Along Airport Road
Wajir Town.

(g) Hospital Contacts

Telephone: (+254721355387/+254729613713)
E-mail: wajircrh@gmail.com

(h) Hospital Bankers

Premier Bank,
Wajir Branch
Account No. 8000602801
WAJIR, Kenya.

(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.13-70300,
WAJIR, Kenya.

II. Management Team

1.	 <p>Dr. BASHIR MOHAMED Bachelor of Medicine and Bachelor of surgery (MChB)</p>	Medical Superintendent.
2.	 <p>Mr. Mohamed Maalim Hassan Masters in Nursing and Administration</p>	Director Nursing Services
3.		Hospital Administrator.

	 <p>Mr. Roble Hassan Bachelor of Computer Science</p>	
4.	 <p>Alex Mwirigi Bachelor of Science in Medical Laboratory Science</p>	Laboratory Manager
5.	 <p>Dr. Mohamed Abdi Mohamud Bachelor of Pharmacy</p>	Pharmacist Incharge

WAJIR COUNTY REFERRAL HOSPITAL (WAJIR COUNTY GOVERNMENT)
Annual Report and Financial Statements for The Year Ended 30th June 2022.

6.	 Siyad Saney Hassan	Clinical Officer Incharge
7.	 Abdikadir Haji Abdirahman Bachelor of Business-Accounting CPA Section 5	Hospital Accountant

II. Chairman's Statement.

It is my pleasure to present the hospital's 2021/22 annual report and financial statements. Management and operations of the hospital is guided by the existing legal, policy, and institutional frameworks that govern health sector to ensure efficient and effective delivery of services in the Hospital.

WCRH is putting great emphasis in improvement of communication with our patients, their families and other stakeholders in an effective and timely manner. To this end, we have continued to train our employees on customer care and effective communication while upholding the highest standards of care. In an effort to provide timely and accurate information, we have established mechanisms for receiving and resolving customer feedback.

The hospital has continued to experience challenges and changing business environment which calls for continuous improvement of the quality of services to the patients.

On behalf of the Board, I would like to thank all our stakeholders especially the Ministry of Health and the County Treasury for the support they continue to accord the hospital without which our achievements would not have been realized. As we move into a new year, I would like to express my gratitude to WCRH staffs, team leaders and the Board, who take such pride in their work, and who exemplify our hospital's mission and values each day. Finally, I strongly believe that our strategy and the staffs in place will consistently drive our growth in the future as has been the case over the years.

MR ROBLE HASSAN IBRAHIM

.....

HOSPITAL ADMINISTRATOR.

IV. Report of The Medical Superintendent

The Management and Staff of the Hospital recognize the fact that the Hospital operates in an increasingly liberalized political and socio-economic environment. Wajir county referral hospital is part of the larger county health system that provides various services and most importantly is the referral facility for the larger county while it receives referrals from Somalia, Moyale and Mandera as well. The County Referral Hospital being at the apex of the county referral system is guided in its planning, development and provision of health care services by the national and sectoral policies on health, including Kenya Vision 2030, the Constitution, Kenya Health Policy 2012-2030, Kenya Health Sector Strategic and Investment Plan 2012-2017 and global policies such as the Millennium Development Goals and now the Sustainable Development goals, among others.

The prevailing economic and social conditions have adversely impacted on the delivery of health care services in the country. Various services offered in the Hospital have been affected by inadequate funding in relation to budgetary estimates. The Hospital therefore, faces many challenges in its endeavour to provide quality health care.

DR BASHIR MOHAMED

.....
Secretary to the Board.

V. Statement of Performance Against Predetermined Objectives

Wajir County Referral hospital has two strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2021/2022- FY 2027/2028. These strategic pillars/ themes/ issues are as follows:

Pillar /theme/issue 1: Operational excellence

Pillar/theme/issue 2: Skilled and energetic management team

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

Pillar/ theme/ issue 1: Operational excellence	Reengineering, policies	Enhance service delivery	customers receive safe, timely, equitable, efficient, effective and patient-centred services.	effective and timely service delivery and efficient utilization of resources
Pillar/ theme/ issue 2: Skilled and energetic management team	Institutionalize leadership and governance performance	alignment of governance, leadership, and all employees to the overall strategic objectives of the organization.	oversight in financial reporting, Safeguarding Hospital assets	vibrant governance system

1) Achieve operational excellence to deliver speed and efficiency

Wajir County Referral hospital needs to deliver a better overall customer experience by aligning processes, reducing timelines and making the whole customer experience from visit to exit a fast and efficient system. To achieve this goal, the hospital will focus on the following objectives:

- Achieve operational excellence through process reengineering and policies
- Reduce waiting times through automation
- Review and institutionalize robust quality assurance processes
- Maintain excellent outcomes of treatment to reduce morbidity and mortality

2) Strengthen hospital leadership and corporate governance

Wajir County Referral hospital has a young, skilled and energetic management team and a board that exudes wisdom. The hospital is committed to strengthen its capacity in leadership and governance in line with its mission and purpose. This will ensure alignment of governance, leadership, and all employees to the overall strategic objectives of the organization. To achieve this goal, the hospital will focus on the following objectives:

- Develop a focused capacity building program for both the board and the hospital management
- Streamline and strengthen the capacity of board committees
- Institutionalize leadership and governance performance measurement and appraisal systems

v.I. Corporate Governance Statement

Commitment to good corporate governance is fundamental in ensuring sustainable stakeholder value and meeting their expectations. Our structures, procedures and processes are anchored on accountability, transparency, responsibility and fairness which are the tenets of good corporate governance. Through the Board of Management, Wajir County Referral Hospital remains steadfast in complying with statutory requirements and the Code of Governance for State Corporations (Mwongozo Code 2015) among others.

Role of the Chairman

The Chairman is responsible for the strategic leadership of the board and is pivotal in creating conditions for the overall effectiveness of the board, promotes an open environment for debate and ensures all members are able to speak freely and contribute effectively. He ensures that the Board plays a full and constructive part in the development and determination of the Hospital's strategies and policies. The chairman ensures that board meetings are held as and when necessary and members are supplied with accurate, timely and sufficient information to enable them to discharge their duties effectively.

The roles and responsibilities of the Board include:

- i. Planning and monitoring, clinical services and preventive services.
- ii. Providing oversight in financial reporting to the County government and communication to stakeholders.
- iii. Safeguarding Hospital assets by instituting appropriate internal control systems.
- iv. Ensuring the Hospital complies with all relevant laws and regulations.
- v. Approve the annual budget of the Hospital.
- vi. Monitor the Hospital performance and ensure sustainability
- vii. Ensure availability of adequate resources for the achievement of the Hospital objectives.

Accountability and audit

The Board prepares annual financial statements which reflect a true and fair view of the hospital's financial position as at the end of each fiscal year. The Board of Management ensures that suitable accounting policies supported by reasonable and prudent judgments and estimates are consistently applied. The Board also ensure that financial statements for each financial year are audited. During the year, the Board ensured that the Hospital maintained proper, reasonable and accurate accounting records

showing and explaining the transactions and financial position of the Hospital in compliance with the Public Finance Management Act No.18 of 2012 and the prescribed accounting standards. The Hospital Financial Statements are audited by the Office of the Auditor-General. The Auditor-General is an independent office whose role and responsibilities are defined under the Constitution of Kenya. The Board in furtherance of its duties, ensures that the process, structure and internal controls are maintained and adhered to and has internal risk and audit staffs to carry out such functions.

VII. Management Discussion and Analysis

WCRH provide healthcare services to Wajir County people and patients from neighbouring sub-counties. Services include, outpatient clinics, inpatient care, accident and emergency. The hospital also provides clinical support services that include laboratory and pharmacy.

The hospital strives to ensure that the clinical services provided are safe, timely, appropriate, innovative, effective and evidence-based. Clinical governance continues to be strengthened to improve patient safety and ensure quality healthcare. The hospital patient attendance continues to increase despite the many challenges i.e. lack of enough doctors, nurses, pharmacists, RCOs and budgetary constraints.

Clinical/operational performance

WCRH continues to provide a wide range of highly specialized healthcare services to Kenyans, patients from within Wajir county, and neighbouring counties. Specialized services include, specialized outpatient clinics, inpatient care, day care procedures for surgery, renal, ENT, dental amongst other services and specialized accident and emergency that receives emergency, disaster victims and referred patients. The hospital also provides clinical support services that include gynaecology service, General medicine service, laboratory, pharmacy and radiology. The hospital strives to ensure that the clinical services provided are safe, timely, appropriate, innovative, effective, evidence-based and in line with modern technological advances. Clinical governance continues to be strengthened to improve patient safety and ensure quality healthcare. In addition, the hospital plays a leading role regionally in the management of disasters and emergencies. The hospital patient attendance continues to increase despite the many challenges i.e. budgetary constraints and other challenges.

Below is a summary of the clinical/operational performance

- *Bed capacity of the hospital. 120*
- *Overall patient attendance during the year for both inpatient and outpatient. 27,186*
- *Accident and Emergency attendance 5,013*
- *Specialised clinic attendance 25,893*
- *Average length of stay for in patient. 4.5*
- *Bed occupancy rate 51.88%*
- *Mortality rate 3.85%*
- *Surgical theatre utilisation (number of operations over a period of time) 2,283*

Financial performance that includes

Revenue sources

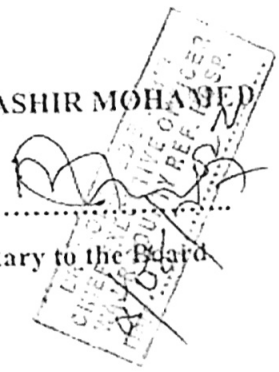
The revenue sources of the hospital are AIE from WAJIR county treasury which amounts to Kshs. 59,856,680 together with NHIF (LINDA MAMA).

Utilisation of funds; -

- ✓ Medical/clinical cost amounting to Kshs. 22,720,232
- ✓ Employee costs amounting to Kshs. 3,930,640
- ✓ Repair and maintenance amounting to Kshs.1,837,620
- ✓ General expenses amounting to Kshs. 13,839,967

DR BASHIR MOHAMED

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Secretary to the Board



VIII. Environmental And Sustainability Reporting.

Wajir County Referral Hospital exists to transform lives. It's what guides us to deliver our strategy, putting the client/Citizen first, delivering health services, and improving operational excellence.

i) Sustainability strategy and profile

WCRH and its stakeholders are increasingly emphasizing on the need to ensure sustainability for both its investments and its resource mobilization and financing capabilities with an objective of ensuring that WCRH going concern is secured. The hospital has conducted a basic assessment of available options for feasible financing tools that would assure the hospital of its long-term sustainability. The hospital has reviewed its current resource mobilization strategies and proposed feasible sustainability financing options, which include:

- Introduction of new specialized services such as routine theatre days for elective surgeries
- Public Private Partnership
- Upgrading the hospital to Level V referral to get more funding
- Enhancing Client satisfaction through quality service care
- Bringing on board more financial institutions i.e. lobbying for more engagement with other insurance firms

ii) Environmental performance

WCRH is using the National Health Care Waste Management policy guideline which is guiding us in the management of the waste that we generate in the organization and we have a copy of the policy.

1 Successes

- We are having colour-coded bins [receptacles] at all generation points in the departments.
- There are segregation posters alongside the receptacles to guide in the segregation of waste.
- We have waste treatment equipment within the organization that helps us treat our waste and we only dispose of non-contaminated waste to the dumping site.
- The general cleanliness of the organization is well maintained both indoors and grounds.

2 Challenges

- Frequent breakdown of the equipment and the cost of repair.
- High cost electricity bill.
- Shortage of staffs.
- Delay of funds disbursement.

iii) Employee welfare

Hiring process involves bringing new employees on board. This is the mandate of the County Public Service Board for the recruitment and appointment of new Health care workers.

Improvement of employee skills and career management is done through employee sponsorship to further their studies in line with their careers. This is done by sponsorship and supporting employees to attend both short and long courses offered by various institutions.

Training programs are based on the identified needs from the training needs assessments and are emphasized for performance improvement addressing both individual and organizational goals.

iv) Market place practices-

a) Responsible competition practice.

This is effectively done through proper use of the available website for advertisement purposes as well as making good use of the instituted internal committees to help minimize anticorruption.

b) Responsible Supply chain and supplier relations

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

c) Responsible marketing and advertisement

Effectively done through the use of website and notice boards

v) Corporate Social Responsibility / Community Engagements

- The hospital offers free medical camps

- The hospital provides waiver services for the less vulnerable
- The department captured more indigents into the NHIF system

IX. Report of The Board of Management

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

Principal activities

The principal activity of the hospital is to receive in-patient and out-patient and to provide them medical services.

Results

The results of the hospital for the year ended 30th June, 2022 are set out on page 1 to 9.

Board Of Management

The Board of Management is not constituted awaiting implementation of FIF bill, however during the year the hospital was managed by the Hospital Management shown on page viii.

Auditors

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

By Order of the Board

DR BASHIR MOHAMED



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Secretary of the Board

X. Statement of Board of Management's Responsibilities

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

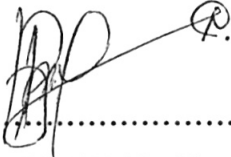
The Board of Management is responsible for the preparation and presentation of the hospital's financial statements, which give a true and fair view of the state of affairs of the hospital for and as at the end of the financial year (period) ended on June 30, 2022. This responsibility includes: (i) maintaining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

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

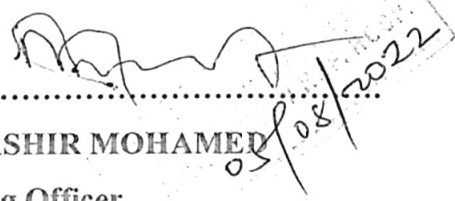
Nothing has come to the attention of the Board of management to indicate that the hospital will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Hospital's financial statements were approved by the Board on 30th September, 2022 and signed on its behalf by:



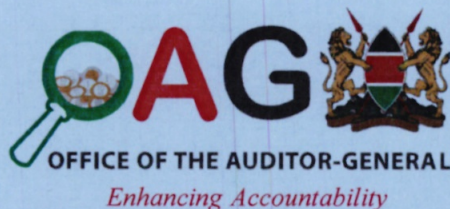
.....
Name: **ROBLE HASSAN**
Hospital Administrator.



.....
Name: **BASHIR MOHAMED**
Accounting Officer

REPUBLIC OF KENYA

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

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

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Wajir County Referral Hospital - County Government of Wajir set out on pages 1 to 36, which comprise of the statement of financial position as at 30 June, 2022 and the statement of financial

Report of the Auditor-General on Wajir County Referral Hospital for the year ended 30 June, 2022 - County Government of Wajir

performance, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Wajir County Referral Hospital – County Government of Wajir as at 30 June, 2022 and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, the County Governments Act, 2012 and the Health Act, 2017.

Basis for Qualified Opinion

1. Variances in Revenue from Rendering Services

The statement of financial performance reflects rendering of services – medical income of Kshs.38,802,655 as disclosed in Note 8 to the financial statements. The amount consists of claims reimbursed from the National Health Insurance Fund (NHIF). However, NHIF payment schedule revealed an amount of Kshs.36,495,855 was paid to the Hospital resulting in an unexplained variance of Kshs.2,306,800.

In the circumstances, the accuracy and completeness of revenue from rendering services - medical income amount of Kshs.38,802,655 could not be confirmed.

2. Non-Disclosure of Donated Drugs

The statement of financial performance reflects a balance of Kshs.54,025 in respect of grants from donors and development partners as disclosed in Note 7 to the financial statements. However, review of Hospital records revealed that during the year under review the Hospital received drug donations worth Kshs.59,950 from Kenya Medical Supplies Agency (KEMSA) and medical commodities worth Kshs.118,017 under Universal Health Care (UHC) Programme which were not disclosed in the financial statements.

In the circumstances, the accuracy and completeness of the grants from donors and development partners balance of Kshs.54,025 could not be confirmed.

3. Unsupported Receivables from Exchange Transactions

The statement of financial position reflects a balance of Kshs.412,650 in respect of receivables from exchange transactions as disclosed in Note 15 to the financial statements. However, the balance was not supported by schedule of debtors indicating nature of transactions. In addition, the debtors' ageing analysis was not provided.

In the circumstances, the accuracy and completeness of the receivables from the exchange transactions balance of Kshs.412,650 could not be confirmed.

4. Undisclosed In-Kind Contributions

There were no disclosures in respect of contributions in-kind from the County Government of Wajir. However, review of the Hospital records revealed that during the year under review, the Hospital received in-kind contributions including payment of salaries to technical staff, pharmaceutical and non-pharmaceutical supplies, stationeries and catering supplies. Management did not provide cost values of in-kind contributions received from the County Government.

In the circumstances, the accuracy and completeness of in-kind contribution balance could not be confirmed.

5. Unconfirmed Stock Balance

The statement of financial position reflects Nil inventory balance as disclosed as at 30 June, 2022. However, the annual stock take was not conducted to confirm the closing balances of inventories as at 30 June, 2022. It is therefore not clear how the Hospital determined that there was no inventory balance at the close of the year.

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

6. Unsupported National Hospital Insurance Fund (NHIF) and National Social Security (NSSF) Fund Remittances

The statement of financial performance reflects a balance of Kshs.3,930,640 in respect of employee cost as disclosed in Note 10 to the financial statements. Included in the balance are deductions from casual employees amounting to Kshs.88,800 and Kshs.110,400 paid to NHIF and NSSF respectively. Management did not provide acknowledgments to confirm receipt of remittance by NHIF and NSSF.

In the circumstances, the accuracy and completeness of statutory remittances of Kshs.199,200 could not be confirmed.

7. Undisclosed Property, Plant and Equipment

The statement of financial position reflects Nil balance in respect of property, plant and equipment as disclosed in Note 17 to the financial statements. The Hospital owned movable and non-movable assets including land, buildings, motor vehicles, medical equipment and computers whose values were not disclosed in the financial statements. Further, the ownership documents for land and motor vehicles were not provided for audit.

Physical inspection of motor vehicles conducted on 19 April, 2024 revealed that several motor vehicles were grounded. This included two (2) ambulances that were not recorded in the assets register. In addition, the Hospital did not have a centralized asset register but instead each department maintained its own register.

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

8. Loss of Revenue Due to In-Patient Mismanagement

The statement of financial performance reflects rendering of services – medical income of Kshs.38,802,655 as disclosed in Note 8 to the financial statements. The facility's monthly service workload reports indicated that ninety-two (92) anonymous in-patients who had accumulated undisclosed amounts of hospital bills sneaked out of the Hospital wards before making payments. It was also noted that this incident was not reported to Management for action. Management, also failed to constitute policies and safeguards to deter such cases from occurring. Further, the Hospital did not ensure that in-patients make deposit before admission. This resulted in some patients leaving the Hospital without making due payment after being discharged resulting in loss of revenue.

In the circumstances, the accuracy and completeness of the revenue from exchange transactions balance of Kshs.38,802,655 could not be confirmed.

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

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.61,000,000 and Kshs.59,856,680 respectively, resulting in an under-funding of Kshs.1,143,320 or 2% of the budget. Similarly, the Hospital spent an amount of Kshs.42,328,459 against actual receipts of Kshs.59,856,680 resulting to under-utilization of Kshs.17,528,221 or 29% of the actual receipts.

Failure to implement all activities in the work plans may have impacted negatively on delivery of medical services to Wajir County residents.

2. Unfulfilled Orders for Pharmaceuticals and Non-Pharmaceuticals

The statement of financial performance reflects medical costs of Kshs.22,720,232 as disclosed under Note 9 to the financial statements. However, review of ordering records indicated the Hospital made quantity orders of 67,747 units of various medical commodities from KEMSA out of which only 61,356 units or 91 % of the orders were received resulting in unfulfilled orders of 6,391 units or 9%.

My opinion is not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters which 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, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Late Submission of Financial Statements

Management of the Hospital submitted the financial statements for the financial year ended 30 June, 2022 on 12 April, 2024, which was eighteen (18) months after the stipulated deadline of 30 September, 2022. This was contrary to Section 47(1) of the Public Audit Act, 2015 which provides that the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate.

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

2.0 Signing of Financial Statements by Non-ICPAK Member

The Institute of Certified Public Accountants of Kenya (ICPAK) membership number for the accountant who signed the financial statements was not disclosed. This was contrary to the requirement by the Public Sector Accounting Standards Board (PSASB) that the Head of Finance who signs the financial statements should be a Certified Public Accountant of Kenya.

In the circumstances, the Management was in breach of the PSASB requirements.

3.0 Role of Hospitals in Universal Health

3.1 Deficiencies in Implementation of Universal Health Coverage (UHC)

Review of Hospital records and interviews on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit revealed that the Hospital did not meet the requirements of the Kenya Quality Model for Health Policy Guidelines due to staff deficits of two (2) medical officers and one (1) radiologist.

Staff Requirements	Level 4 Standard	Number in Hospital	Variance	Percentage %
Medical Officers	16	14	2	12.5
Anesthesiologist	2	9	-	-
General Surgeons	2	3	-	-
Gynaecology	2	3	-	-
Pediatrics	2	3	-	-
Radiologist	2	1	1	50
Kenya Registered Community Health Nurses	75	109	-	-
Total	101	142		

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

Service	Level 4 Hospital Standard	Actuals in the Hospital	Variance	Percentage %
Beds	150	120	30	20
Resuscitaire (2 in Labor & 1 In Theatre)	3	4	-	-
New Born Unit Incubators	5	5	-	-
New Born Unit Cots	5	4	1	-
Functional ICU Beds	6	0	6	100
High Dependency Unit (Hdu) Beds	6	2	4	33
Renal Unit with at Least 5 Dialysis Machines	5	6	-	-
Two Functional Operational Theatres-Maternity & General	2	2	-	-

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

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

3.2 Unutilized Medical Equipment

Audit inspection conducted on 17 April, 2024 revealed that medical equipment belonging to Medical Equipment Supplies (MES) and the Hospital were not in good working condition. The facility machines comprise, three (3) laundry machines, two (2) autoclave (CSSD) sterilizer, one (1) incinerator, one (1) ironing machine, two (2) electric autoclave, two (2) dialysis machine, one (1) mobile X-ray machine, one (1) immune assay and one

(1) AIA torso machine. This was contrary to the requirements of the Kenya Quality Model for Health Policy Guidelines.

In the circumstances, the Hospital service delivery may have been adversely affected.

3.3 Expired Medical Supplies

The statement of financial position as at 30 June, 2022 reflects a Nil balance of inventories. Review of the Hospitals pharmaceuticals store records and physical inspection carried out 17 April, 2024 revealed that the Hospital had five thousand eight hundred and forty-two (5,842) units of various drugs of undetermined value which were expired.

In the circumstances, the effectiveness of internal controls on the management of pharmaceuticals and non-pharmaceuticals could not be confirmed.

3.4 Stock out of Essential Medical Supplies

The statement of financial position reflects Nil inventory balance as at 30 June, 2022. Physical inspection of stores carried out on 17 April, 2024 indicated that fifty-two (52) categories of medical commodities were out of stock. In addition, there were no policy guidelines on the required reorder levels hence not possible to confirm whether commodities were within the required stock levels.

In the circumstances, the effectiveness of internal controls on the management of pharmaceuticals and non-pharmaceuticals inventory to achieve the Hospital mandate could not be confirmed.

4.0 Irregular Engagement of Casual Workers

Review of records provided for audit revealed that the Hospital hired twenty-four (24) casuals for more than three (3) months during the year without formal contracts. This was contrary to Section 37(1) of the Employment Act, 2007 which states that notwithstanding any provisions of this Act, where a casual employee works for a period or a number of continuous working days which amount in the aggregate to the equivalent of not less than one (1) month or performs work which cannot reasonably be expected to be completed within a period or a number of working days amounting in the aggregate to the equivalent of three (3) months or more, the contract of service of the casual employee shall be deemed to be one where wages are paid monthly and Section 35(1) (c) shall apply to that contract of service. In addition, there were cases of casual workers at the Hospital who had been engaged as temporary employees for more than ten (10) years.

Further, there was no needs assessment and staff rationalization report from Management.

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

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the

financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Lack of Internal Audit Function and Audit Committee

The Hospital did not have an audit committee. This is contrary to Regulation 167 of the Public Finance Management (County Governments) Regulations, 2015 which provides that each county government entity shall establish an audit committee. In addition, the Hospital did not have an internal audit unit. This was contrary to Section 155(1)(a) of the Public Finance Management Act, 2012 which provides that a county government entity shall ensure that it has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board.

In the circumstances, the effectiveness of checks and balances in the Hospital could not be confirmed.

2. Lack of Key Management Policies

The Hospital had not put in place key policies like Human Resource Policy Manual, Debt Policy, Finance Manual, Risk Management Policy and Business Continuity Plan in place.

Lack of key policies and manuals may result to the Hospital deviating from its goals and overall strategic objectives which may affect overall governance of the Hospital.

3. Weak Information Technology (IT) Internal Controls

The Hospital had not put in place effective Information Communication Technology (ICT) controls and also did not establish an Information Technology (IT) department despite existence of IT systems including Hospital Insurance Centre Services (HICS) for billing of NHIF claims and Linda Mama together with the District Information Health Centre (DIHC). It was also noted that the Hospital did not have an approved Information Technology Security Policy, IT Strategic Plan and IT Continuity Plan. As a result, critical data/information may not be recovered in case of occurrence of a disaster or cyber-attack.

In addition, the Hospital did not have IT strategic or steering committee to guide in implementation of IT governance, as part of the enterprise governance. Further, physical inspection conducted on 17 April, 2024 revealed that some fire extinguishers in the Laboratory, Radiology and Theatre had expired though they had been serviced and confirmed by the National Public Health Laboratories Equipment Calibration Center.

Physical inspection revealed that the patients' records were displayed on an open space as opposed to being placed in fire proof cabinets. The records office did not have adequate storage space and was not equipped with fire extinguishers.

In the circumstances, the Hospital lacked effective Information Technology (IT) Internal Controls.

4. Lack of Staff Establishment and Human Resource Compliment Controls

During the year under review, the Hospital's staff returns revealed a total of two hundred and sixty-nine (269) employees, out of which one hundred and eight (108) were nurses attached to each department. However, the approved Hospital's annual work plan for the year and approved staff establishment was not provided for audit verification. Further, the Hospital Management did not provide Human Resource Policy Manual for audit review.

In the circumstances, it was not possible to confirm whether the Hospital operated optimally.

5. Poor Management of Inventory and Consumable Stores

Physical inspection carried out in the month of April, 2024 established that theatre consumable stores bin cards and counter issue vouchers (S11) were not used to record movement of inventories. The stores bin cards and counter issue vouchers (S11) were not maintained to record movement of inventories, delivery book maintained by the Hospitality Manager did not have usage details by the end users at the kitchen. Further, the stock register provided did not include quantities issued.

In addition, inadequate space had led to some items being scattered on the floor, daily records of consumption and requisition were not documented in the department. Daily records of consumption and requisition were not being documented in the department.

Further, the kitchen section was used as storage for non-pharmaceutical items such as surgical gloves. It was also observed that the state of the kitchen did not meet the Occupational Safety and Health Guidelines for the employees working in that department.

In the circumstances, effective management of the inventories could not be ascertained

6. Unsupported Inter Facilities Drugs Transfers

The Hospital received free Global Fund commodities such as HIV, Tuberculosis and Malaria drugs. These were required to be issued to patients without any charge within the facility. However, tuberculosis drugs were transferred to TB Manyatta Isolation Centre

which is an independent entity from the Hospital. However, the inter facility transfers indicating the type of drug and quantities dispensed by the facilities were not provided for audit review.

In the circumstances, it was not possible to establish quantity of consumables transferred to TB Manyatta Isolation Centre.

7. Collection of Revenue

The Hospital had not put in place a revenue collection system. Further, the cash books, receipt books, bank statements and mobile money statements on collections for the County Executive Receiver of Revenue revealed that the collection of revenue was merged between Wajir County Referral Hospital and other Sub-County Hospitals within the County.

In addition, the Hospital had a District Information Service Centre System (DISC) which captured all the health records including the work load distribution report carried out. However, confirmations on how much was received from each revenue stream was not possible due to non-availability of service fee charged for each service offered.

In the circumstances, poor documentation and weak internal controls may have led to revenue leakages.

8. Lack of Board of Management

The Hospital did not have a functioning Board of Management during the financial year under review as it was awaiting the implementation of the Wajir County Government Health Facility Improvement Financing Act, 2023. However, a Board was constituted on 25 March, 2024.

Lack of a Board of Management may have hampered policy making and implementation of key policies together with oversight during the year under review.

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

Responsibilities of Management and those Charged with Governance

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

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the 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 Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities

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 which would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgment 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 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 which may cast significant doubt on the Hospital's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Hospital to cease to continue 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 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.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

13 June, 2024

WAJIR COUNTY REFERRAL HOSPITAL (WAJIR COUNTY GOVERNMENT)
Annual Report and Financial Statements for The Year Ended 30th June 2022

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

Revenue from non-exchange transactions		
Transfers from the County Government	6	21,000,000
Grants from donors and development partners	7	54,025
Revenue from exchange transactions		
Rendering of Services-Medical Service Income	8	38,802,655
Total revenue		59,856,680
Expenses		
Medical/Clinical costs	9	22,720,232
Employee costs	10	3,930,640
Depreciation and amortization expense	11	0
Repairs and maintenance	12	1,837,620
General expenses	13	13,839,967
Total expenses		42,328,459
Net Surplus / (Deficit) for the year		17,528,221

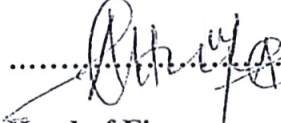
The Hospital's financial statements were approved by the Hospital Management Team on 30th September, 2022 and signed on its behalf by:

ROBLE HASSAN



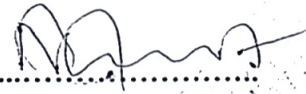
Hospital Administrator.

**ABDIKADIR HAJI
ABDIRAHMAN**



Head of Finance
ICPAK No:

DR BASHIR MOHAMED



Medical Superintendent

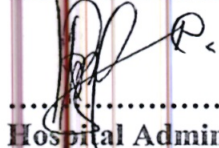
WAJIR COUNTY REFERRAL HOSPITAL (WAJIR COUNTY GOVERNMENT)
Annual Report and Financial Statements for The Year Ended 30th June 2022

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

Statement of Financial Position as of 30 th June 2022		
Assets		
Current assets		
Cash and cash equivalents	14	17,318,804
Receivables from exchange transactions	15	412,650
Inventories	16	0
Total Current Assets		17,731,454
Non-current assets		
Property, plant, and equipment	17	0
Total Non-current Assets		17,731,454
Total assets		
Liabilities		
Current liabilities		
Trade and other payables		0
Refundable deposits from customers/Patients		0
Total Current Liabilities		0
Total Liabilities		0
Net assets		
Revaluation reserve		0
Accumulated surplus/Deficit		17,528,221
Capital Fund (beginning Balance)		203,233
		17,731,454
Total Net Assets and Liabilities		17,731,454

The Hospital's financial statements were approved by the Hospital Management on 30th September, 2022. and signed on its behalf by:

ROBLE HASSAN



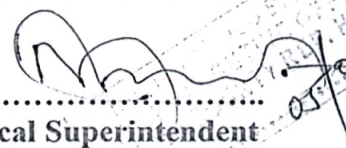
.....
Hospital Administrator.

**ABDIKADIR HAJI
 ABDIRAHMAN**



.....
**Head of Finance
 ICPAK No:**

DR BASHIR MOHAMED



.....
Medical Superintendent

WAJIR COUNTY REFERRAL HOSPITAL (WAJIR COUNTY GOVERNMENT)
Annual Report and Financial Statements for The Year Ended 30th June 2022

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

As at July 1, 2020 (previous year)	-	-	-	-
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	-	-	-
Capital/Development grants	-	-	-	-
As at June 30, 2021 (previous year)	-	203,233	-	203,233
At July 1, 2021 (current year)	-	203,233	-	203,233
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	17,528,221	-	17,528,2214
Capital/Development grants	-	-	-	-
At June 30, 2022 (current year)	-	17,731,454	-	17,731,4544

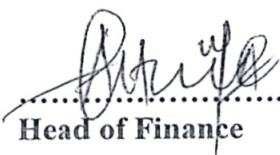
The Hospital's financial statements were approved by the Board on 30th September, 2022 and signed on its behalf by:

ROBLE HASSAN



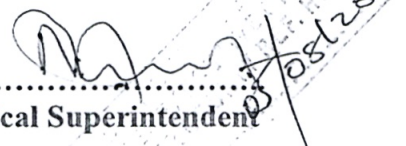
.....
Hospital Administrator.

**ABDIKADIR HAJI
ABDIRAHMAN**



.....
Head of Finance

DR BASHIR MOHAMED



.....
Medical Superintendent

ICPAK No:

WAIJR COUNTY REFERRAL HOSPITAL (WAIJR COUNTY GOVERNMENT)
Annual Report and Financial Statements for The Year Ended 30th June 2022

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

Cash flows from operating activities		
Receipts		
Transfers from the County Government	6	21,000,000
Grants from donors and development partners	7	54,025
Rendering of Services-Medical Service Income	8	38,390,005
Total Receipts		59,444,030
Payments		
Medical/Clinical costs	9	22,720,232
Employee costs	10	3,930,640
Repairs and maintenance	12	1,837,620
General expenses	13	13,839,967
Total Payments		42,328,459
Net cash flows from operating activities		17,115,571
Cash flows from investing activities		
Purchase of property, plant, equipment & intangible assets	15	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		17,115,571
Cash and cash equivalents as at 1 July	13	203,233
Cash and cash equivalents as at 30 June	13	17,318,804

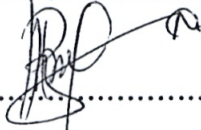
WAJIR COUNTY REFERRAL HOSPITAL (WAJIR COUNTY GOVERNMENT)
Annual Report and Financial Statements for The Year Ended 30th June 2022

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

	a	B	c=(a+b)	D	e=(c-d)	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Transfers from the County Government	21,000,000	0	21,000,000	21,000,000	0	100%
Grants from donors and development partners	0	0	0	54,025	-54,025	
Rendering of Services-Medical Service Income	40,000,000		40,000,000	38,802,655	1,197,345	97%
Total income	61,000,000	0	61,000,000	59,856,680	1,143,320	98%
Expenses						
Medical/Clinical costs	33,000,000	0	33,000,000	22,720,232	10,279,768	69%
Employee costs	7,000,000	0	7,000,000	3,930,640	3,069,360	56%
Repairs and maintenance	4,000,000	0	4,000,000	1,837,620	2,162,380	46%
General expenses	17,000,000	0	17,000,000	13,839,967	3,160,033	81%
Total Expenses	61,000,000	0	61,000,000	42,328,459	18,671,541	69%
Surplus for the period	0	0	0	17,528,221	-17,528,221	%
Capital expenditure	0	0	0	0	0	%

The notes set out on pages 1 to 5 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 30th September, 2022 and signed on its behalf by:

ROBLE HASSAN



Hospital Administrator.

**ABDIKADIR HAJI
ABDIRAHMAN**



Head of Finance
ICPAK No:

DR BASHIR MOHAMED



Medical Superintendent

XVII. Notes To the Financial Statements

1. General Information

Wajir County Referral Hospital is established by and derives its authority and accountability from Health Act 2017. The hospital is wholly owned by the Wajir County Government of Kenya and is domiciled in Wajir Kenya. The hospital's principal activity is providing medical services.

2. Statement Of Compliance and Basis of Preparation

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

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

3. Adoption of New and Revised Standards

IPSASB deferred the application date of standards from 1st January 2022 owing to Covid19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2022.

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.

<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 Hospital'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 Hospital's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<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 Hospital provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Hospital; (b) The key features of the operation of those social benefit schemes; and

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	(c) The impact of such social benefits provided on the Hospital's financial performance, financial position and cash flows.
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>
Other improvements to IPSAS	<p><i>Applicable 1st January 2023</i></p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an</p>

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

ii. Early adoption of standards

The hospital did not early – adopt any new or amended standards in the year 21/22.

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 WCRH and can be measured reliably.

Notes to the Financial Statements (Continued)

Revenue from exchange transactions

Rendering of services

The hospital 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 hospital.

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 hospital'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 2021/22 was approved by Board on 30th August, 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 hospital upon receiving the respective approvals in order to conclude the final budget. Accordingly, the hospital recorded additional appropriations of **Kshs 21,000,000** on the FY 2021/22 budget following the Board's approval. The hospital'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 **17** of these financial statements.

Notes to the Financial Statements (Continued)

c) Taxes

Sales tax/ Value Added Tax

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

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

d) Investment property

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

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a period of 3 years. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

e) Property, plant and equipment

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

Notes to the Financial Statements (Continued)

f) Leases

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Hospital. 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 Hospital 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 Hospital 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 Hospital. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

g) Intangible assets

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

Notes to the Financial Statements (Continued)

h) Research and development costs

The Hospital expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Hospital 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 Hospital 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 considering any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Notes to the Financial Statements (Continued)

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Hospital 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 Hospital assesses at each reporting date whether there is objective evidence that a financial asset or an hospital of financial assets is impaired. A financial asset or an hospital 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 hospital of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or an hospital 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 Hospital determines the classification of its financial liabilities at initial recognition.

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

Notes to the Financial Statements (Continued)

Loans and borrowing

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

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

i) Inventories

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

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

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

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

j) Provisions

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

Notes to the Financial Statements (Continued)

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

Contingent liabilities

The Hospital 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 Hospital 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 Hospital in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

k) Nature and purpose of reserves

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

l) Changes in accounting policies and estimates

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

m) Employee benefits

Retirement benefit plans

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

Notes to the Financial Statements (Continued)

n) Foreign currency transactions

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

o) Borrowing costs

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

p) Related parties

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

q) Service concession arrangements

The Hospital 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 Hospital 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 Hospital also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

Notes to the Financial Statements (Continued)

r) Cash and cash equivalents

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

s) Comparative figures

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

t) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Hospital'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 Hospital 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 Hospital. Such changes are reflected in the assumptions when they occur. (IPSAS 1.140)

Notes to the Financial Statements (Continued)

Useful lives and residual values

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

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

Provisions

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

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

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Notes to the Financial Statements (Continued)

6. Transfers From The County Government

Unconditional grants	
Operational grant	21,000,000
Total government grants and subsidies	21,000,000

6 (a) Transfers from The County Government

Wajir County Government	21,000,000	-	0	21,000,000
Total	21,000,000	-	0	21,000,000

7. Grants From Donors and Development Partners

Other grants (Smile Train)	54,025
Total grants from development partners	54,025

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

Other grants (Smile Train)	54,025	0.00	0.00	54,025
Total	54,025	0.00	0.00	54,025

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Notes to the Financial Statements (Continued)

8. Rendering of Services-Medical Service Income

NHIF reimbursement	38,390,005
Outstanding disbursement (Receivables)	412,650
Total revenue from the rendering of services	38,802,655

9. Medical/ Clinical Costs

Purchase of medical gases	2,247,130
Pharmaceutical supplies	1,961,187
Laboratory chemicals and reagents	1,584,380
Dressing and non-pharmaceutical supplies	9,923,160
Other Medical costs	7,004,375
Total medical/ clinical costs	22,720,232

10. Employee Costs

Other employee costs (<i>casuals and locum</i>)	3,930,640
Employee costs	3,930,640

11. Depreciation And Amortization Expense

Property, plant and equipment	0.00
Intangible assets	0.00
Investment property carried at cost	0.00
Total depreciation and amortization	0.00

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Notes to the Financial Statements (Continued)

12. Repairs And Maintenance

Property- Buildings	360,400
Maintenance-others	1,379,220
Office Equipment	98,000
Total repairs and maintenance	1,837,620

13. General Expenses

Catering expenses	3,563,000
Waste management expenses	313,000
Travel Accommodation and Expenses	968,050
Printing and stationery	1,229,950
Fumigation	740,000
Fuel and Lubricants	5,121,967
Electricity Expenses	361,000
Subscription to professional bodies	956,000
Other general expenses	587,000
Total General Expenses	13,839,967

14. Cash and Cash Equivalents

Current accounts	17,318,804
Cash in hand	0
Total cash and cash equivalents	17,318,804

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Notes to the Financial Statements (Continued)

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

a) Current account		
First Community Bank/Premier Bank	8000602801	34,948
Kenya Commercial Bank (NHIF)	1171430051	17,283,856
Sub- total		17,318,804
b) Others(specify)		0.00
cash in hand		0.00
Mobile money- Mpesa, Airtel money		0.00
Sub- total		0.00
Grand total		17,318,804

15. Receivables From Exchange Transactions

NHIF receivables	412,650
Total receivables	412,650

16. Inventories

Pharmaceutical supplies	0.00
Maintenance supplies	0.00
Food supplies	0.00
Linen and clothing supplies	0.00
Cleaning materials supplies	0.00
General supplies	0.00
Less: provision for impairment of stocks	(0.00)
Total	0.00

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Notes to the Financial Statements (Continued)

17. Property, Plant and Equipment

Cost								
At 1 July 2020	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Additions	0.00	0.00	0.00	0.00	-	-	0.00	0.00
Disposals	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Transfers/adjustments	0.00	0.00	(0.00)	0.00			0.00	(0.00)
At 30th June 2021	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
At 1 st July 2021	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Additions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Disposals	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Transfer/adjustments		0.00		0.00			(0.00)	-
At 30th June 2022	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation and impairment								
At 1 July 2020	0.00	0.00	0.00	0.00	0.00	0.00		0.00
Depreciation for the year	0.00	0.00	0.00	0.00	0.00	0.00		0.00
Disposals	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)		(0.00)
Impairment	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)		(0.00)

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At 30 June 2021	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00
At July 2021	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00
Depreciation	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00
Disposals	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)		(0.00)	(0.00)
Impairment	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)		(0.00)	(0.00)
Transfer/adjustment		0.00	-	0.00	-	-	(0.00)		(0.00)
At 30 th June 2022	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net book values									
At 30 th June 2021	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
At 30 th June 2022	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

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Notes to the Financial Statements (Continued)

18. Intangible Assets-Software

Cost	
At beginning of the year	0.00
Additions	0.00
Additions-Internal development	0.00
Disposal	(0.00)
At end of the year	0.00
Amortization and impairment	
At beginning of the year	0.00
Amortization for the period	0.00
Impairment loss	0.00
At end of the year	0.00
NBV	0.00

19. Trade And Other Payables

Trade payables	
Trade payables	0.00
Employee dues	0.00
Third-party payments (<i>unremitted payroll deductions</i>)	0.00
Audit fee	
Doctors' fee	0.00
Total trade and other payables	0.00

Notes to the Financial Statements (Continued)

20. Financial Risk Management

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

(i) Credit risk

The hospital 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 hospital'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)

At 30 June 1				
Receivables from exchange transactions	0.00	0.00	0.00	0.00
Receivables from –non-exchange transactions	0.00	0.00	0.00	0.00
Bank balances	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00
At 30 June 2022				
Receivables from exchange transactions	412,650	A412,650	0.00	0.00
Receivables from –non-exchange transactions	0.00	0.00	0.00	0.00
Bank balances	17,318,804	17,318,804	0.00	0.00
Total	17,731,454	17,731,454	0.00	0.00

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The hospital has significant concentration of credit risk on amounts due from July 2022.

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 hospital’s short, medium and long-term funding and liquidity management requirements. The hospital 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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At 30 June 2021				
Trade payables	0.00	0.00	0.00	0.00
Current portion of borrowings	0.00	0.00	0.00	0.00
Provisions	0.00	0.00	0.00	0.00
Deferred income	0.00	0.00	0.00	0.00
Employee benefit obligation	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00
At 30 June 2022				
Trade payables	0.00	0.00	0.00	0.00
Current portion of borrowings	0.00	0.00	0.00	0.00
Provisions	0.00	0.00	0.00	0.00
Deferred income	0.00	0.00	0.00	0.00
Employee benefit obligation	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00

Notes to the Financial Statements (Continued)

(iii) **Market risk**

The hospital has put in place an internal audit function to assist it in assessing the risk faced by the hospital 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 hospital'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 hospital's exposure to market risks or the way it manages and measures the risk.

a) Foreign currency risk

The hospital 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 hospital's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

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

The hospital 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.

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

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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.

2021			
Euro	10%	0.00	0.00
USD	10%	0.00	0.00
2022			
Euro	10%	0.00	0.00
USD	10%	0.00	0.00

Interest rate risk

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

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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 1 (2022: KShs1). A rate increase/decrease of 5% would result in a decrease/increase in surplus of KShs 1,749 (2022 – KShs 1,794).

iv) Capital Risk Management

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

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

21. Related Party Balances

Nature of related party relationships

Entities and other parties related to the hospital 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 hospital, holding 100% of the hospital equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the hospital, both domestic and external. Other related parties include:

- i) The National Government;
- ii) The Parent Ministry;
- iii) Auditor general;
- iv) Controller of budget;
- v) County government;

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- vi) *Notes to the Financial Statements (Continued)*
- vii) Key management;
- viii) Board of directors;

Transactions with related parties	
	2021/22
	Kshs
a) Grants from the Government	
Grants from County Government	21,000,000
Grants from the National Government Entities	
Donations in kind	0.00
Total	0.00
	0.00
	21,000,000
Total	

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Notes to the Financial Statements (Continued)

22. Events After The Reporting Period

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

23. Ultimate and Holding Hospital

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

24. Currency

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

WAJIR COUNTY REFFERAL HOSPITAL (WAJIR COUNTY GOVERNMENT)
Annual Report and Financial Statements for The Year Ended 30th June 2022

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.

There is no OAG Report				

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 hospital 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.

.....
Accounting Officer

[Handwritten signature]
 05/12/2022

APPENDIX II: Projects Implemented by The Hospital

Projects

Projects implemented by the Hospital Funded by development partners

1. None						
2						

Status of Projects completion

1. None							
2							
3							

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APPENDIX III: Inter-Hospital Confirmation Letter

Wajir County Referral Hospital
 P.O.Box 2-70200
 Wajir, Kenya

The Wajir County Referral Hospital 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.

Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (KShs) as at 30th June 2022				Amount Received by [beneficiary hospital] (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)		
		21,000,000	-	-	21,000,000	21,000,000	-
Total		21,000,000	-	-	21,000,000	21,000,000	-

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

Head of Accountants department of beneficiary hospital:

Name Abdulkadir Haji Sign [Signature] Date 11/05/2022