

Scanned

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

PARLIAMENT
OF KENYA
LIBRARY

REPORT

OF

THE AUDITOR-GENERAL

PAPERS LAID	
DATE	14/11/2023
TABLED BY	Majumdar H. P.
COMMITTEE	
CLERK AT THE TABLE	Kanwa M.

ON

**LUNGALUNGA SUB-COUNTY
HOSPITAL**

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

**COUNTY GOVERNMENT OF
KWALE**



Issued 30th June 2022



**LUNGALUNGA SUB COUNTY
Level 4 HOSPITAL
(Kwale 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)**

Lunga-Lunga Sub County Hospital (Kwale County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

(Please leave the page blank)

Lunga-Lunga Sub County Hospital (Kwale County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

Table of Contents

I. Key Entity Information and Management.....	iv
II. The Board of Management.....	vii
III. Management Team.....	xii
IV. Chairman's Statement.....	xviii
V. Report Of The Chief Executive Officer	xviii
VI. Statement Of Performance Against Predetermined Objectives	xxi
VII. Corporate Governance Statement	xxii
VIII. Management Discussion and Analysis.....	xxii
IX. Environmental And Sustainability Reporting	xxiv
X. Report Of The Board Of Management.....	xxvii
XI. Statement Of Board of Management's Responsibilities.....	xxix
XII. Report of the Independent Auditor (specify entity name)	xxx
XIII. Statement Of Financial Performance for The Year Ended 30 June 2022	1
XIV. Statement of Financial Position as of 30 th June 2022	4
XV. Statement of Changes in Net Asset for The Year Ended 30 June 2022.....	6
XVI. Statement of Cash Flows for The Year Ended 30 June 2022	7
XVII. Statement Of Comparison of Budget and Actual Amounts For The Year Ended 30 June 2022.....	9
XVIII. Notes To the Financial Statements.....	11
XIX. Appendices.....	53

I. Key Entity Information and Management

(a) Background information

L/Lunga Sub County Hospital is a level 4 hospital established under gazette notice number 786 and is domiciled in Kwale County. The hospital is governed by a Board of Management.

(b) Principal Activities

The principal activities of the hospital majored in the three essential programs highlighted as:

- Preventive & Promotive Health Services
- Curative Health Services
- General Administration, Planning & Support Services

This hospital performs its activities with regard to the 7 pillars of Health Systems Management which are Service delivery, Human Resources, Health Infrastructure, Health products, Health Information, Health Leadership and Health Financing. Service Delivery activities and targets are set according to the 5 life cycle cohorts:

- 1; Pregnancy and new born care,
- 2; Childhood,
- 3; Children and youth,
- 4; Adults and
- 5; Elderly. ...

Vision:

To have a functional and health services Sub County hospital that contributes to the holistic development in the County.

Mission:

A sub county hospital whose health services resonates with the health needs of its residents for sustained development in the County.

Goal:

To have a developed and well equipped health facility for improved health services.

Core Values

The Lunga –Lunga Sub County Hospital upholds to the values of Transparency and Accountability, integrity, inclusiveness and equity, Empowerment, Quality/ results oriented and Innovation.

(c) Key Management

The *Hospital's* day-to-day management is under the following key organs:

- County Department of Health
- Board of Management
- Medical Superintendent

Lunga-Lunga Sub County Hospital (Kwale County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

- Health Administration Officer
- Nursing In-charge
- Chief Accountant

(d) Fiduciary Management

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

No.	Designation	Name
1	Medical Superintendent	Joy Nduku
2.	Health Administration Officer	Binti Ali Shee
3	Nursing In -Charge	Florence Wambua
4	Accountant	Suleiman M. Mtende

(e) Fiduciary Oversight Arrangements

Here, provide a high-level description of the key fiduciary oversight arrangements covering (say):

- Quality and Stakeholders Committee
- Finance and Audit committee activities
- Environment Committee activities

(f) Hospital Headquarters

Off LungaLunga-Horohoro Road
Adjacent to L/Lunga Primary School
P.O. Box 82-80402
L/Lunga.
KENYA

(g) Hospital Contacts

Telephone: (254) 780729893
E-mail: rahmashee9@gmail.com

(h) Hospital Bankers

1. Kenya Commercial Bank -KCB.
P.O. Box 6
Ukunda Branch,
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

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

(k) County Attorney

Office of the Governor
County Headquarters
P.O. Box.4-80405
Kwale, Kenya

II. The Board of Management

1. 	<u>ALI S. MWAZIRO-CHAIRPERSON BOARD OF MANAGEMENT</u> Mr Ali Salim Mwaziro was born in 1967 and still at the age of 55years, diligently performing his duties in both the Community work as well as being a Chairperson to the hospital Board of Management. He holds Diploma in Education and has served from simple teacher to Head teacher in various primary schools, among them Ngathini Primary school. Mr Mwaziro is the founder member and now doubles as the Director of KidsCare Kenya where several community projects are being implemented. He is passionate in vulnerable families, orphans and vulnerable children and the physically impaired kids. It is in this fact, that through Kidscare Kenya, Occupational Therapeutic Centres have been put in place to revamp the situation of the children. Further, he has created a linkage between the hospital and the kidscare field officers where sensitization ,dialogues and outreaches are being conducted to ensure that expectant mothers, vulnerable children and the physically impaired kids get in time health services and also discrimination especially to impaired kids is reduced.
2. 	<u>DR JOY NDUKU-MEDICAL SUPERITENDENT</u> An MO (Medical officer/Doctor) licenced by the Kenya Medical Practitioners and Dentists Council and holder of a degree in Bachelor of Medicine and Bachelor of Surgery (MBChB). Currently, pursuing certificate in Leadership and Management Health. From the University of Washington. Endowed with an Advanced Cardiac Life Support and in Basic Life Support. The above qualifications help me in executing my roles as a medical doctor and to give quality health care to the clients I attend to on a day to day basis. My medical qualifications are handy in my role to overseeing proper service delivery in the medical service delivery points as well as give guidance on

	excellent and updated clinical practices in the hospital.
3. 	<u>REHEMA NANDITO-MEMBER BOARD OF MANAGEMENT</u> A well-known girl child activist and philanthropist in the whole of Kwale County who has helped both female OVC and MVC from the Maasai communities to ensure they attain Secondary school education and thus doing away with early child marriage which is rampant in the Maasai people. Qualification: Born in 1982, attended primary school education to class eight at Naserian Primary school, Mwereni Ward, L/Lunga Sub County and in Kwale County. She boasts of having attended several Child Rights, Sexual and Reproductive Health, GBV and follow up procedures among other seminars conducted by both Non-Governmental Organisations and County Government. Experience: Commenced her work in 2015 of helping expectant mothers on importance of clinics and girl child against molestation. At least 60 girls have been aided and completed secondary school education with handful mothers who have been supported to attain safe delivery which has immensely reduced child mortality. Rehema has worked with Haki Africa, Muhuri, Naya Kenya, IJM (International Justice Mission) and Haki Yetu Kenya. Future Expectation: To have a tremendous touch on the lives of mothers from vulnerable communities through provision of a linkage to the hospital services, National Police services, Para-legal services and sensitization on the same.

4.



ANJELEMY KIMEU-MEMBER BOARD OF MANAGEMENT

Anjelemy Kimeu attained his O Level education in 1987 at Komeundu Boys high school (1984-1987). Thereafter, served as a Storekeeper in Kemfro Africa Ltd and then as a Cashier at Agip Petroleum Company both situated in Nairobi.

In 1997, Mr Kimeu ventured in the Cereals business where he used to supply Maize, Rice, Beans, Sorghum and Green grams to Supermarkets and Mill Companies. It is through this business that he earned several trainings from COMESA where he attained numerous skills in revamping his business.

Future Expectation:

Having been indulged by different organizations including KWEA in its Girl Child Protection Project and now a Board Member to L/Lunga Sub County Hospital anticipate to seeing a reduction in maternal death through sensitization of girls child and importance of clinical reviews during pregnancy.



5

TERESIA CHIGAMBA CHABOGO-MEMBER BOARD OF MANAGEMENT

Born in 1963 at Mwangulu Village in L/Lunga Sub County, Kwale County. Attained her CPE Certificate at Mwangulu Primary school in 1979. Madam Teresia has been serving as a chairlady in Mwereni Ward VSLA for five years, Chairlady for 6 years (2006-2011) at Mwangulu primary, Chairlady for 4 years at Mwereni Secondary school and from 2018 to date serving as a Board Member L/Lunga Sub County Hospital.

Future Expectation:

To have a tremendous touch on the lives of mothers from vulnerable communities through provision of a linkage to the hospital services, National Police services, Para-legal services and sensitization on the same.

6 . Fujo Juma Hussein	FUJO JUMA HUSSEIN-MEMBER BOARD OF MANAGEMENT
7.	ANNA KWALE -MEMBER BOARD OF MANAGEMENT
8	<u>KARUA MASUDI NGOCHO-MEMBER BOARD OF MANAGEMENT</u> Born in 1948 at Kikoneni Village in L/Lunga Sub County. He attained his primary education at Kikoneni Primary school (1963-1969), then proceeded to Makupa High School between 1970-1971. After the secondary education, Mr Karua attained a Certificate at Matuga Agricultural Institute Experience: Commenced his work in 1972 as a field Officer with Ministry of Agriculture where he served up to his retirement in 1994. In numerous institutions, Mr Karua has been known in making contributions to several Boards as hereunder: 1984-1988-Kwale Land Control Board Member. 1992-2001-Msambweni Land Control Board Member. 1997-2002-Kikoneni Water Project Chairman. 2005-2007: Chairman –Kikoneni Primary School Committee. 2018-Date: L/Lunga Sub County Hospital Board Member. Future Expectation: To see a gigantic transition on the lives of household members in ensuring that there is sustainable food production and good health surrounds them.



9

**REHEMA JULIUS -MEMBER BOARD OF
MANAGEMENT**

III. Management Team

Ref	Management	Details
1.		<u>DR JOY NDUKU-MEDICAL SUPERITENDENT</u> <u>ACADEMIC AND PROFESSIONAL QUALIFICATION</u> An MO (medical doctor) lisenced by the Kenya Medical Practitioners and Dentists Council and holder of a degree in Bachelor of Medicine and Bachelor of Surgery (MBChB). I am pursuing certification by the University of Washington in Leadership and Management in Health. Endowed with an Advanced Cardiac Life Support and in Basic Life Support. The above qualifications help me in executing my roles as a medical doctor and to give quality health care to the clients I attend to on a day to day basis. My medical qualifications are handy in my role to oversee proper service delivery in the medical service delivery points as well as give guidance on excellent and updated clinical practices in the hospital. <u>CAREER GROWTH AND FUTURE EXPECTATIONS IN REGARD TO WORK AND HEALTH CARE</u> I have been a medical officer for 2years, having interned for one year at Coast General Teaching and Referral Hospital for 1 year where I gained skills in both the medical and surgical areas relevant for the discharging of my duties as a medical professional. I have worked with Stawisha Pwani as a research assistant in conducting needs assessment for the health facilities in Kwale County which has enlightened me on the various quality improvement gaps and strategies to fill the gaps at both the administrative and the medical service delivery areas. This has been crucial in my current capacity as a medical

		Superintendent, an office that I have held for the past 7 months following my appointment in Kwale County as a medical officer. My expectations are that I will continue growing in the medical field and gain more experience in administration as well as the clinical field and advance my skills in both areas through academia. This will increase my skill set and make me more proficient in carrying out my roles and in achieving excellence in the Health sector. I intend to advance to do a Master's degree in the near future relevant to health and management. I anticipate cutting edge technological advancements in the health sector for the county and national level as well as globally and I intend to be in the forefront to embrace such advancements for a more elaborate and efficient health care system. As a primary health care provider, I expect more elaborate policies to strengthen primary health care ensuring equitable distribution of healthcare and health resources to achieve universal health coverage
2.		BINTIALI SHEE- HEALTH ADMINISTRATION OFFICER Career Objective. To offer quality and efficient Administrative health services in Kwale County and Kenya at large as outlined in public health code of ethics. Qualification Bachelor's degree in Business Administration from Kenya Methodist University obtained in 2017I have done several leadership short courses including; leadership and management program for health professionals, senior management for health system strengthening, and leadership management and governance course in health information, leadership

		management and governance for health systems strengthening among other. Work Experience I have risen to my current position having started from a very humble beginning as a clerical officer immediately after completion of my A-level education. I have worked with the government for more than 30 years and I started as a clerical officer at Msambweni County Referral Hospital (district hospital by then) serving at different grades of the same cadre until 2006. I also worked at Mariakani Sub County Hospital which was my first station to work as a Health Administrative officer during the Year 2006-2009. Later I worked at Kwale Sub county Hospital - 2009 to 2014, Msambweni County Referral Hospital, year 2014 to 2020 and Lunga Lunga Sub County Hospital from 2020 to date. Career development. In my career development, I worked hard from non-professional to diploma level and later to a degree holder and thus I have gained more skills and competencies in my profession as a health administrative officer. This has enabled me mentor several people including students on industrial attachment, Internship and health providers on administrative and human resource issues. Future expectations I aspire to pursue master's degree in Business Administration to better my skills and competencies so that I can be better placed to manage more challenging situation in my line of work.
--	--	--

3.		<u>SULEIMAN MAZERA MTENDE-ACCOUNTANT</u> CPA Finalist, Msc Finance (In Progress) and Bsc Finance. Mazera is an analytical and accounting prowess endowed professional with extensive experience in numerous areas of the accounting function. Results-driven and team-oriented person whose accomplishments reflect superior business acumen, financial development skills and demonstrated commitments to organization growth. Proven ability to develop and integrate processes and procedures in alignment with GAAP that impact efficiency and positively affect bottom line productivity. Strong combination of software knowledge with proven leadership and interpersonal skills. Exemplary verbal and written communication that demonstrates professionalism and strengthens the organization image. Further, has worked in various positions from Project Accountant, Finance and Administration officer and Senior Accountant. He has a vast experience in USAID Projects, GIZ Projects, DFID and now with the County Government financial systems. Prior to joining the County Government, Mazera worked with Compassion International, fhi360 and Kilimo Trust. It is through this immense experience that has been keenly advising and duly performing his duties at the accounting unit. Anticipating to ameliorate skills and broaden the accounting and financial wisdom through acquiring a PHD in Finance which will undoubtedly be essential in provision of both social, financial and economical services to the County and Country at large.

4.		<u>FLORENCE KATHINA WAMBUA- NURSING IN-CHARGE</u> Qualification: Bachelors degree in nursing with masters degree in nursing on going I am registered and licensed to practice as a nurse by the nursing council of Kenya My academic qualification has enabled me to ensure that the Nursing profession becomes the centre of excellence for practice and service delivery in health care delivery system I have carried out various levels of management in the ministry of health and this has enabled me to provide leadership and governance on good clinical practice as the nursing officer in charge of the nursing department currently working at Lunga Lunga sub-county hospital, I do supervise all the nursing services in the facility, do mentorship to student interns and the qualified staffs to help promote skills competence among staffs , carry out research work which helps in promotion of evidence based practice, I do commodity management for all the non-pharmaceuticals ensuring that I do order the right commodity and do stock maintenance in the facility in collaboration with the pharmacist . Other key roles in my profession include responsibility and accountability to professional practice and conduct, Promoting professional nursing ethics and advocating for maintenance of the technical competences of all nurses under my supervision, Involvement in quality improvement initiatives, Proper utilization of available resources provided by the government and other stake holders and effectively direct nursing education and practice for nurses. Experience and Career Growth: I have worked with the ministry of health for over 20 years discharging nursing services at various level of management whereby currently I am the nursing officer in charge of Lunga-Lunga sub-county hospital. In career growth I have pursued education up to degree level and
----	--	--

		currently I am pursuing master of science in nursing, this career growth has enabled me promote the quality of health care to another level, gained more competences in my profession and has enabled me to mentor the upcoming young nurses I like working in collaboration with other professional disciplines to achieve the organizational goals and I always endeavour to seek professional growth. Future Expectations in work and health Care: I expect to complete my master's degree in nursing and pursue a PHD in the same path. This will help strengthen my skills and competences in nursing and will lead to provision of excellent quality health care services and management
--	--	---

IV. Chairman's Statement

The Lunga-lunga Sub-County hospital operates through adhering to the program based approach in accordance with the guidelines from the County. This system guarantees a bottom-up approach in which the service delivery priorities are adequately addressed and sufficiently costed.

The hospital also puts into consideration all the strategic priorities as stipulated in the County Health Sector Strategic and Investment Plan (CHSSIP) and the Kenya health sector strategic and Investment Plan (KHSSP) 2014-2030. In cognizant of the resource constraints facing the hospital, the Board of Management makes an attempt to address these challenges by proposing incorporation of both County and Non-County actors in raising resources for its implementation.

There have been numerous linkages which have come up as a result of the presence of the hospital board of management namely,

- Community sensitization on importance of clinical reviews to the expectant mothers
- Community dialogues regarding health services
- Outreaches where the physically impaired kids hidden as per culture as diagnosed and supported through Occupational Therapeutically sessions.
- Rewarding the TBAs (Traditional Birth Attendants) through monthly meetings lunches and technical support from the health care workers.

V. Report of The Chief Executive Officer

L/Lunga Sub County Hospital operates with a focus on performance based service delivery which is a framework for planning, management and monitoring budgets that relates the purposes of resource allocations to effectiveness in achieving desired outcomes. The hospital priorities are defined in the new Kenya Health Policy 2014-2030 and elaborated through the KHSSP III guided by the provisions and mandates of the Constitution 2010, goals of vision 2030 and the County Integrated Development Plan (CIDP) for the year 2019-2024

The three major programs highlighted in this plan are:

- Preventive & Promotive Health Services
- Curative Health Services
- General Administration, Planning & Support Services

This hospital performs its activities with regard to the 7 pillars of Health Systems Management which are Service delivery, Human Resources, Health Infrastructure, Health products, Health Information, Health Leadership and Health Financing. Service Delivery activities and targets are set according to the 5 life cycle cohorts:

- 1; Pregnancy and new born care,
- 2; Childhood,
- 3; Children and youth,
- 4; Adults and
- 5; Elderly.

The health workforce / Human resource still remains a major challenge in the hospital. The gap has been identified and strategies to improve this have been developed. The Hospital also has a well elaborated plan to ensure commodities and products are available in good time where they are required. A lot of support from the County Government, through the Kenya Medical Supplies Agency and MEDs is required for better performance.

The L/Lunga Sub-County Hospital has a rich data base of health information however the stakeholders supporting the health activities are inadequate. Leadership and Governance is essential for positive performance, implementation of the hospital activities and achievement of the targets. Financing is mainly through County Government and at a few times from health partners (NGO).

There has been a rise in the number of patients presenting with non-communicable diseases. Health education, screening services and availability of commodities for the NCDs has been given a high priority.

Main causes of morbidity and mortality are due to preventable causes which forces us to concentrate more on preventive and health promotion health services than the curative services. The commonest causes of deaths are pneumonia, anaemia, malaria, Dehydration and meningitis.

In support of Kwale county department of health efforts, the hospital is committed to ensuring that quality health care is available, accessible and affordable to the community so that they can effectively contribute towards their socio-economic development.

VI. Statement Of Performance Against Predetermined Objectives

This hospital performs its activities with regard to the 7 pillars of Health Systems Management which are Service delivery, Human Resources, Health Infrastructure, Health products, Health Information, Health Leadership and Health Financing. Service Delivery activities and targets are set according to the 5 life cycle cohorts:

- 1; Pregnancy and new born care,
- 2; Childhood,
- 3; Children and youth,
- 4; Adults and
- 5; Elderly.

The health workforce / Human resource still remains a major challenge in the hospital. The gap has been identified and strategies to improve this have been developed. The Hospital also has a well elaborated plan to ensure commodities and products are available in good time where they are required. A lot of support from the County Government, through the Kenya Medical Supplies Agency and MEDs is required for better performance.

The L/Lunga Sub-County Hospital has a rich data base of health information however the stakeholders supporting the health activities are inadequate. Leadership and Governance is essential for positive performance, implementation of the hospital activities and achievement of the targets. Financing is mainly through County Government and at a few times from health partners (NGO).

There has been a rise in the number of patients presenting with non-communicable diseases. Health education, screening services and availability of commodities for the NCDs has been given a high priority.

Main causes of morbidity and mortality are due to preventable causes which forces us to concentrate more on preventive and health promotion health services than the curative services. The commonest causes of deaths are pneumonia, anaemia, malaria, Dehydration and meningitis.

In support of Kwale county department of health efforts, the hospital is committed to ensuring that quality health care is available, accessible and affordable to the community so that they can effectively contribute towards their socio-economic development.

VII. Corporate Governance Statement

The Board of Management is comprised of 9 members where there is a Chairperson and eight members. Hospital Board normally conducts four quarterly meetings in every financial year. At least two thirds of the total number of members should be present in order for a decision to be arrive at. However, there are sometimes where ad hoc or emergency meetings are conducted in order to come up a quick solution to an emerging situation. The Hospital Medical Superintendent is always the Secretary to the Board of Management meetings.

Appointment of the Board members is usually done by the Executive principals with the help of CEC and Chief Officer health. After their names have been gazetted and inducted, that is when implementation of their activities start. They are supposed to serve for a period of three years and thus their term come to its finis once the period has ended.

The board induction and trainings on hospital issues are normally organized and done by the department of Public Service and Administration in collaboration with the department of health. The whole Board and member performance is done by the principals of department of health where meetings are held and evaluations conducted.

Additionally, the Board remuneration or allowances are guided by the rate depicted in the national gazette. In most cases, the level 4 Board allowances rates are clearly known and they range from Ksh 5,000 for the members to Ksh 6,500 for the chairperson in each meeting. The Board members should conduct their affairs in accordance with the stipulated ethics.

VIII. Management Discussion and Analysis

L /Lunga hospital maternity wing, X-ray block, Kitchen, enough wash rooms both for patients and staff, Out Patient block, the Accident and Emergency part, female ward and the male ward. It has a capacity of holding 72 in patients, male ward 25, Female ward 25, maternity wing 16 and the Accident and Emergency wing 6.

In a matter of safety and compliance to patients served, the facility has two sources of water i.e Kwale water source which ensure clean and safe water for drinking and cooking and the other source is borehole water where a sample was examined at the national lab and was seen suitable for washing clothes, utensils and be utilised on gardening at the facility. In addition to that, the hospital has a public health officer who ensures that disposal of waste is done appropriately and desludging is done on quarterly basis to do away with the stinking and fetid odours.

In the F/Y 2021-2022, the overall patient attendance for both inpatient and outpatient were sub divided in the following categories:

- i. Outpatient-15,877
- ii. MCH-9,885
- iii. In patient Department-3,446
- iv. Dental-1127

There were 191 theatre surgeries where 180 of those were Caesarean Section surgeries while 11 were other surgeries.

The hospital has bed occupancy rate of 51.3% and the Average length of stay for in patient is 3 days. The clients who attended specialised clinics which include eye clinic, hypertension and others were 7,649. Accident and Emergency wing received 6 cases during the year and the mortality rate was 10%.

L/Lunga hospital receives some support from other stakeholders like Naya Kenya, Stawisha Pwani and Base Tetanium in conducting of surgical camps that have been having a positive impact to the people of L/Lunga.

Sources of revenue to the hospital is mainly from the County Government through the department of health administration. This is done in three categories namely,

- i. The hospital imprest
- ii. Employee salaries
- iii. Medical drugs and pharmaceuticals

The hospital imprest is normally an amount which is monthly remitted to the hospital account for daily operations of the hospital activities. It mainly caters for Daily subsistence allowances, catering services, telephone services, domestic travel facilitations and minor maintenances. Employee salaries and their deductions are paid directly from the County Treasury to the individual accounts. On the other hand, the medical drugs and pharmaceutical materials are procured centrally from the department of health administration.

A part from the hospital being a revenue collection centre, it is mandated not to utilize the funds at source as per the PFM Act 2012 and thus whatever collected is normally transferred to the County Revenue Fund Account.

IX. Environmental And Sustainability Reporting

L/Lunga Sub County Hospital is charged with the responsibility of providing and promoting quality, curative and preventive healthcare services that are responsive, accessible and affordable to the county citizens. Provision of quality health services will result in a healthy and productive population. The availability of accessible and affordable health services is critical for sustainable development.

The health-related challenges, including limited access to clean and health environment to prevent diseases. The department has a wide range of interventions designed to create and maintain an environment conducive to human health; reduce people's exposure to diseases by providing a clean environment in which to live; and measures to break the cycle of diseases. The department has also involved in the following corporate social responsibility:

1. Sustainability strategy and profile

The hospital provides and promotes quality, curative and preventive healthcare services under health services management. This include provision of medical drugs, conduct community sensitization, dialogues and outreaches where immunization services and other community health services are done. It is also composed of the strategies to protect the health well being through the use of community health volunteer's and community health extension workers.

2. Environmental performance

The Hospital in collaboration with the Environment Committee has successfully:

- i. Maintained a clean friendly environment eg participating in community cleanup-25%
- ii. Developed and implemented environmental awareness creation programs -15%
- iii. Developed Waste management policies that includes: -
 - Construction of incinerators in all hospitals in the Department-50%
 - Developing and implementing mechanisms for proper disposal of medical-waste, e.g. sharps, infectious waste and general wastes-90%
- iv. Established measures to mitigate against water, air, noise and other forms of pollution-10%

3. Employee welfare

Employee welfare has been achieved through the following:

- Strengthening the hospital culture by upholding the requirements of Chapter 6 of the Constitution on Leadership and Integrity by developing able and competent personnel with the highest standards of integrity;
- Regular monitoring, evaluation and reporting on the extent to which the Core Values and Principles of the hospital are adhered to within the hospital premises.
- Facilitate disciplinary control over persons holding or acting in public service officers and ensuring the staff code of conduct is adhered to by all hospital employees; and

- Promoting coherent, integrated human resource planning and budgeting and carrying out staff audits to discourage incidences of “ghost workers” and advise the health department on human resources development and management
- Promoting cordial relationship among health care workers in the hospital through having end of year get together where challenges are shared and amicable solutions arrived at.

4. Community Engagements-

Through public participation the residents have played a role in decision making processes, participate in monitoring and evaluation of infrastructural projects erected in the hospital and provide advice where required in liaison with hospital management team.

Organization and conducting of medical camps where specialists on various areas come to conduct free surgeries to the community people. For instance, in 2019 and 2021 there were medical camps for hydroceles where more than 150 patients from the four wards of L/Lunga Sub County were attended.

X. Report of The Board of Management

The Board members submit their report together with the audited financial statements for the year ended June 30, 2022 which show the state of the hospital affairs.

Principal activities

The principal activities of the hospital are the three major programs highlighted as:

- Preventive & Promotive Health Services
- Curative Health Services
- General Administration, Planning & Support Services

This hospital performs its activities with regard to the 7 pillars of Health Systems Management which are Service delivery, Human Resources, Health Infrastructure, Health products, Health Information, Health Leadership and Health Financing. Service Delivery activities and targets are set according to the 5 life cycle cohorts:

- 1; Pregnancy and new born care,
- 2; Childhood,
- 3; Children and youth,
- 4; Adults and
- 5; Elderly.

Results

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

Board Of Management

The members of the Board who served during the year are shown on page(iii). During the year 2021/2022 one member passed on and the other eight members were re- appointed with effect from July 2021 to date.

Auditors

The Auditor General is responsible for the statutory audit of the L/Lunga Sub County Hospital in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 by order of the Board.

Name:

Signature:

Secretary to the Board

XI. Statement of Board of Management's Responsibilities

Section 81 of the Public Finance Management Act, 2012 and require the Board of Management to prepare financial statements in respect of that **L/Lunga Sub County Hospital**, which give a true and fair view of the state of affairs of the **L/Lunga Sub County Hospital** at the end of the financial year/period and the operating results of the **L/Lunga Sub County Hospital** for that year/period. The Board of Management is also required to ensure that the **L/Lunga Sub County Hospital** keeps proper accounting records which disclose with reasonable accuracy the financial position of the **L/Lunga Sub County Hospital**. The council members are also responsible for safeguarding the assets of the **L/Lunga Sub County Hospital**.

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

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

Nothing has come to the attention of the council members to indicate that the **L/Lunga Sub County 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

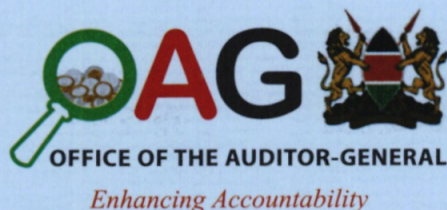
The Hospital's financial statements were approved by the Board on 26/9/2022 and signed on its behalf by:

for Chair
Name: SALIM AH MWAZIRO
Chairperson
Board of Management

Suleiman X. X. Attende
Name: Suleiman X. X. Attende
Accounting Officer

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON LUNGALUNGA SUB-COUNTY HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2022 – COUNTY GOVERNMENT OF KWALE

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 Lungalunga Sub County Hospital set out on pages 1 to 53, which comprise of the statement of financial position

Report of the Auditor-General on Lungalunga Sub-County Hospital for the year ended 30 June, 2022- County Government of Kwale

as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

Basis for Qualified Opinion

Undisclosed Revenue from Exchange Transactions - Medical Services Income

The statement of financial performance reflects Kshs.Nil revenue earned from rendering of services. However, Note 11 to the financial statements reflects a balance of Kshs.12,656,455. In addition, the Hospital Management did not generate the revenue billings report for the year under review.

In the circumstances, the accuracy and completeness of revenue from rendering of services of Kshs.Nil as reflected in the financial statements could not be confirmed.

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

Key Audit Matters

Key audit matters are those matters that, in my professional 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.

Other Matter

Budgetary Control and Performance

The summary statement of appropriation reflects final receipts budget and actual on a comparable basis of Kshs.143,052,415 and Kshs.128,911,747 respectively, resulting to an under funding of Kshs.14,140,668 (or 10%) of the budget. Similarly, the Hospital spent

Kshs.127,622,107 against an approved budget of Kshs.129,492,283 resulting to an optimal utilization of the budget.

The underfunding affected the planned activities and may have impacted negatively on service delivery to the public.

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. Irregularities in the Contract for Construction of Maternity Wing

The Hospital awarded a contract for the construction and completion of maternity wing at a contract sum of Kshs.14,075,474, through an open tender advertised on 9 February, 2022 and closed on 17 February, 2022. However, the tender opening minutes were signed on 14 February, 2022 by the opening committee members, which was three (3) days before the official tender closure. No explanation was provided for the anomaly.

In addition, the contract sum of Kshs.14,075,474 exceeded the approved budget estimate of Kshs.10,551,194 by Kshs.3,524,279.77. This was contrary to Section 53(8) of the Public Procurement and Asset Disposal Act, 2015. The Section states that an accounting officer shall not commence any procurement proceeding until satisfied that sufficient funds to meet the obligations of the resulting contract are reflected in its approved budget estimates.

Further, the physical verification of the project in June, 2023 revealed that two (2) doors, seven (7) hand driers and fire (5) alarm installation all amounting to Kshs.419,600 as per the bill of quantities were paid for but had not been delivered.

In the circumstances, the regularity of the contract and value for money of the project could not be confirmed.

2. Irregular Payment of Non-Practicing Allowance

During the year under review, the Hospital paid four (4) doctors non-practising allowances amounting to Kshs.1,536,000. However, the Hospital's work schedule indicated that the doctors were scheduled to work for two (2) to three (3) days in a week despite being fulltime employees and earning non-practising allowance.

In the circumstances, the regularity of the expenditure of Kshs.1,536,000 on non-practicing allowance could not be confirmed.

3. Expenditure Incurred on Unused Works

The Hospital incurred an expenditure of Kshs.397,450 on 16 February, 2022 for renovation of staff toilet's septic tank, replacement of sinks, doors, plumbing work and floor tilling. However, the bill of quantities and measurement certificate for work done were not provided for audit .

In addition, the physical verification of the works conducted in the month of June, 2023 revealed that the toilet was not in use and the water taps fitted were broken.

In the circumstances, value for money on expenditure of Kshs.397,450 could not be confirmed.

3. Ineffective Management of Universal Health Coverage

The National Government rolled out a Universal Health Coverage (UHC) program in all Counties for provision of quality and affordable healthcare to all citizens which resulted in the employment of thirteen (13) healthcare workers for Lungalunga Sub County Hospital on contracts. However, the contracts had expired and had not been renewed as at the time of audit in June, 2023.

In addition, the Kenya Quality Model for Health requires a Level 4 hospital to have five (5) new born unit incubators, a renal unit with five beds, a functional ICU and HDU with a six-bed capacity each and two functional operating theatres. However, the Hospital had only one functional theatre and the ICU, HDU, renal unit and pediatric ward have not been established. Also, the Hospital had a 65-bed capacity against the required of 150, surgical services were not available and gynaecological services were performed only twice a week. The non-availability of these services and facilities meant that patients were referred to other health facilities of higher levels.

In the circumstances, the effectiveness of management of Universal Health Coverage (UHC) program to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines could not be confirmed.

4. Expired Medical Supplies and Inadequate Storage Space for Pharmaceuticals and Non-Pharmaceuticals

Review of management of pharmaceuticals and non-pharmaceuticals at the Hospital revealed that 1,842 units of various drugs whose value could not be determined were expired. Also, the stock cards used to issue drugs to various departments in the hospital did not indicate the batch number and the expiry dates of the drugs. It was not possible to establish whether the issuance of drugs followed the principal of First Expiry First Out (FEFO).

Further, the Hospital received pharmaceuticals and non-pharmaceuticals amounting to Kshs.24,371,321. Physical verification revealed inadequate shelves for the storage of pharmaceutical thus resulting in keeping the stacking the drugs in boxes in the stores. In addition, the air conditioner in the store was not functional.

In the circumstances, the expired drugs of undetermined value and inadequate storage capacity could result to loss of public resources.

5. Failure to Conduct Annual Stock Take

During the year under review, the Hospital procured food items, office stationery and supplies, pharmaceuticals and non-pharmaceuticals amounting to Kshs.24,371,321 for its operations that were received and recorded in the stores before making issues to users. However, annual stock take was not conducted to confirm the closing balances of inventories as at 30 June, 2022. This was contrary Regulation 32(1)(a) of the Public Finance Management (County Governments) Regulations, 2015 providing that the Accounting Officer of a county government entity shall take full responsibility and ensure that proper control systems exist for assets and that preventative mechanisms are in place to eliminate theft, security threats, losses, wastage and misuse.

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. Inadequacies in Revenue Billing System

Walkthrough of the Hospital revenue processes revealed that patients were billed manually using an undefined way which did not provide revenue billing reports to establish the revenue earned in line with IPSAS accrual basis.

In addition, the facility's monthly service workload report indicates that forty-three (43) anonymous inpatients who had accumulated undisclosed amounts of hospital bills absconded from the Hospital wards before making payments. However, there is no evidence that the incidences were reported to the Hospital Management and whether the outstanding bills were recovered.

2. Unaccounted for Sale of Medicines

During the year under review, the Hospital dispensed drugs to patients based on the price list contained in the Hospital's Service Charter. However, sales prices for five (5) dispensed drugs amounting to Kshs.2,077,994 were not included in the Hospital's price lists as follows:

No	Item Code	Description	Quantity	Amount (Kshs.)
1	PM01CTX001	Co-Trimoxazole Suspension - 240mg/5ml	3,600	79,200
2	PM01CTX006	Cotrimoxazole Tablet 960mg	5,286	1,127,964
3	PM01CTX007	Co-Trimoxazole Tablets 480mg	500	65,000
4	PM05PAR013	Paracetamol Tablets 500mg	7,065	655,830
5	PM11MEP003	Omeprazole 20mg Capsules	1,500	150,000
				2,077,994

In addition, the approval of the Hospital's service charter by the Hospital Management Board was not provided for audit.

In the circumstances, the effectiveness of internal controls on revenue billing and collection could not be confirmed.

2. Lack of Approved Staff Establishment

During the year under review, the Hospital's payroll revealed a total of seventy-five (75) employees against the hospital's annual work plan for the year indicates two hundred and eighty-nine (289) employees resulting to an unreconciled variance of two hundred and fourteen (214) staffs. Also, the approved staff establishment for the Hospital was not provided for audit.

In the circumstances, the optimal number of employees required by the facility could not be confirmed.

3. Failure to Deduct and Remit NSSF Contributions

Review of the staff payroll for the financial year under review revealed that the Management failed to deduct and remit to National Social Security Fund (NSSF) contributions amounting to Kshs.85,200 in respect of twenty (20) employees. This was contrary to Section 19(1) and Section 20(1) of the National Social Security Fund 2013.

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

4. Irregular Dispensing of Drugs to Private Hospitals

During the year under review, the Hospital received free Global Fund commodities amounting to Kshs.933,949 in respect to tuberculosis (TB) drugs which were required to be dispensed to patients free of charge. However, the drugs were dispensed to private health facilities for utilization by patients registered in those facilities. Further, records of the inter-facility transfers indicating the value of all drugs dispensed to the private facilities were not provided for audit review.

In the circumstances, the effectiveness of internal controls on drug management and regularity of the transfers could not be confirmed.

5. Irregularities in the Appointment of Board Members and Composition of the Board

The annual report of the Hospital for the year ended 30 June, 2022 indicated that the Board of Management comprised nine (9) members who were appointed for a three (3) year term starting 4 May, 2018 to 4 May, 2021. However, during the year under review on 27 September, 2022, the County Executive Committee Member (CECM) Health Services issued an internal memo to the Accounting Officers of all level 4 and 5 hospitals in Kwale County to continue working with the Board Members until further notice despite the expiry of their term in office. As a result, the Board members were in office without valid appointments thirteen (13) months after the expiry of contract up to the time of audit in June, 2023.

Further, the Board Members did not include the Deputy County Commissioner, Sub-County Medical Services Officer, person in charge of the hospital, and a person with knowledge and experience in finance and administration matters as required by Governance Guidelines for Hospital Management Committees for Level 4 and 5 Hospital issued by Ministry of Medical Services, 2011.

In addition, the corporate governance statement included in the annual reports for the year under review does not disclose the functions of the Board members, composition, succession plan, removal of Board members, and Board and member performance as required by the financial reporting template.

In the circumstances, the regularity of the Board Members appointment and the contributions of the Board in implementation of primary health care services in the hospital could not be confirmed.

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

Responsibilities of Management and Board of Management

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

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in

compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

Because of its inherent limitations, internal controls 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 policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to 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 to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Hospital to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

11 October, 2023

Lunga Lungu Sub County Hospital (Kwale County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

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

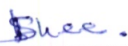
Description	Notes	2021/22 Kshs	2020/21 Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	6	1,623,300.00	-
In-kind contributions from the County Government	7	118,236,032.00	-
Grants from donors and development partners (Global Fund Commodities)	8	9,052,415.00	-
Transfers from other Government entities	9	-	-
Public contributions and donations	10	-	-
		128,911,747.00	-
Revenue from exchange transactions			
Rendering of services- Medical Service Income	11	-	-
Revenue from rent of facilities	12	-	-
Finance /Interest Income	13	-	-
Other income (<i>specify</i>) EduAfya Direct collection NHIF Capitation Lindamama	14		-
Revenue from exchange transactions		-	-
Total revenue		128,911,947.00	-
Expenses			
Medical/Clinical costs	15	8,805,880	-
Employee costs	16	84,319,868.40	-
Board of Management Expenses	17	487,650	-
Depreciation and amortization expense	18	137,037.50	-
Repairs and maintenance	19	2,146,792	-
Grants and subsidies	20	9,052,415.00	-
General expenses	21	22,792,999.10	-
Finance costs	22	16,503.00	-
Total expenses		127,759,145.00	-
Other gains/(losses)			

Lunga Lungu Sub County Hospital (Kwale County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

Gain on disposal of non-Current assets	23	-	-
Unrealized gain on fair value of investments	24	-	-
Medical services contracts Gains/Losses	25	-	-
Impairment loss	26	(-)	-
Gain on foreign exchange transactions		-	-
Total other gains/(losses)		-	-
Net Surplus for the year		1,152,803	-
Attributable to:			
Surplus/(deficit) attributable to minority interest		-	(-)
Surplus attributable to owners of the controlling entity		1,152,803	-
			-

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

The Hospital's financial statements were approved by the Board on 26/9/2022 and signed on its behalf by:



Chairman
Board of Management



Head of Finance
ICPAK No:



Medical Superintendent

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

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

Description	Notes	2021/22	2020/21
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	27	241	-
Receivables from exchange transactions	28	-	-
Receivables from non-exchange transactions	29	621,450	-
Inventories	30	-	-
Total Current Assets		621,691	-
Non-current assets			
Property, plant, and equipment	31		-
Furniture		180,000.00	
ICT and Equipment		351,112.50	
Intangible assets	32	-	-
Investment property	33	-	-
Total Non-current Assets		531,112.50	-
Total assets		1,152,803.5	-
Liabilities			
Current liabilities			
Trade and other payables	34	-	-
Refundable deposits from customers/Patients	35	-	-
Provisions	36	-	-
Finance lease obligation	37	-	-
Current portion of deferred income	38	-	-
Current portion of borrowings	39	-	-
Total Current Liabilities		-	-
Non-current liabilities			
Provisions	36	-	-
Non-Current Finance lease obligation	37	-	-
Non-Current portion of deferred income	38	-	-
Non - Current portion of borrowings	39	-	-
Service concession liability	40	-	-
Total Non-current liabilities		-	-

Lunga Lungu Sub County Hospital (Kwale County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

Description	Notes	2021/22	2020/21
		Kshs	Kshs
Total Liabilities		-	-
Net assets			
Revaluation reserve		-	-
Accumulated surplus/Deficit		-	-
Capital Fund		-	-
			-
Total Net Assets and Liabilities		1,152,803.5	-

(The notes set out on pages 9 to 50 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 26/9/2022 and signed on its behalf by:



Chairman
 Board of Management



Head of Finance
 ICPAK No:



Medical Superintendent

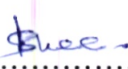
Lunga Lunga Sub County Hospital (Kwale County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

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

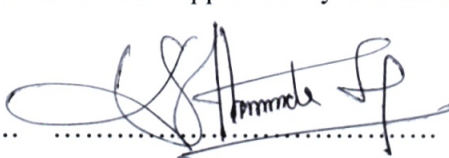
	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2020	-	-	-	-
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	-	-	-
Capital/Development grants	-	-	-	-
As at June 30, 2021	-	-	-	-
At July 1, 2021	-	-	-	-
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	1,152,803.5	-	-	1,152,803.5
Capital/Development grants	-	-	-	-
At June 30, 2022	1,152,803.5	-	-	1,152,803.5

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

The Hospital's financial statements were approved by the Board on 26/9/2022 and signed on its behalf by:



 Chairman
 Board of Management



 Head of Finance
 ICPAK No:



 Medical Superintendent

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

Description	Note	2021/22 Kshs	2020/21 Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government		1,623,300	-
Grants from donors and development partners		-	-
Transfers from other Government entities		-	-
Public contributions and donations		-	-
Rendering of services- Medical Service Income		-	-
Revenue from rent of facilities		-	-
Finance / interest income		-	-
Other receipts(Global Fund Commodities)		-	-
Total Receipts		1,623,300	-
Payments			
Medical/Clinical costs		411,357	-
Employee costs		-	-
Board of Management Expenses		236,500	-
Repairs and maintenance		55,630	-
Grants and subsidies		-	-
General expenses		903,069	-
Finance costs		16,503	-
Refunds paid out		-	-
Total Payments		1,623,059	-
Net cash flows from operating activities	41	241	-
Cash flows from investing activities			
Purchase of property, plant, equipment, & intangible assets		(-)	(-)
Proceeds from the sale of property, plant, and equipment		-	-
Acquisition of investments		(-)	(-)
Net cash flows used in investing activities		(-)	(-)
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		(-)	(-)
Capital grants received		-	-
Net cash flows used in financing activities		(-)	(-)

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

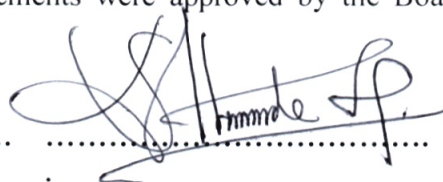
Net increase/(decrease) in cash and cash equivalents		-	(-)
Cash and cash equivalents at 1 July	27	241	-
Cash and cash equivalents at 30 July	27	241	-

(IPSAS 2 allows an entity to present the cash flow statement using the direct or indirect method but encourages the direct method. PSASB also recommends the use of direct method of cash flow preparation).

The notes set out on pages 26 to 51 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 26/9/2022 and signed on its behalf by:

for 

Chairman
Board of Management



Head of Finance
ICPAK No:



Medical Superintendent

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Transfers from the County Government	120,000,000	0	120,000,000	119,859,332	140,668	99.80%
Grants from donors and development partners	9,052,415	0	9,052,415	9,052,415	0	100%
Transfers from other Government entities	-	-	-	-	-	%
Public contributions and donations	-	-	-	-	-	%
Rendering of services- Medical Service Income		-	-	-	-	-
Revenue from rent of facilities	-	-	-	-	-	%
Finance / interest income	-	-	-	-	-	%
Other receipts (<i>specify</i>)	-	-	-	-	-	%
Total income	143,052,415	0	143,052,415	128,911,747	14,140,668	90.11%
Expenses						
Medical/Clinical costs	9,000,000	0	9,000,000	8,805,880	194,120	98.9%
Employee costs	84,319,868.4	0	84,319,868.4	84,319,868.4	-	100%
Remuneration of directors	600,000	0	600,000	487,650	112,350	81.3%
Repairs and maintenance	2,500,000	0	2,500,000	2,146,792	353,208	86%
Grants and subsidies	9,052,415	0	9,052,415	9,052,415	0	100%
General expenses	24,000,000	0	24,000,000	22,792,999.1	876,066	96.3%
Finance costs	20,000	0	20,000	16,503	3,497	82.5%
Refunds	-	0	-	-	-	%
Surplus for the period				1,152,803		

Capital expenditure					0	%
----------------------------	--	--	--	--	----------	----------

The notes set out on pages 26 to 51 form an integral part of the Annual Financial Statements. Note 28 shows the revenue collected in the facility in the three areas namely: Direct collection Ksh3,012,055, NHIF Capitation Ksh 1,587,500 and Lindamama Program Ksh 8,056,900. The Hospital's financial statements were approved by the Board on _____ and signed on its behalf by:

for
Chairman
Board of Management

.....
Head of Finance
ICPAK No:

.....
Medical Superintendent

XVIII. Notes To the Financial Statements

1. General Information

Lunga-Lunga Sub County Hospital entity is established by and derives its authority and accountability from PFM Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is medical health and service delivery

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 actuarial 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 Lunga Lunga Sub County Hospital'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 Lunga Lunga Sub County Hospital.

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

3. Adoption of New and Revised Standards

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

Notes to the Financial Statements (Continued)

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

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

	(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows. <i>(State the impact of the standard to the Entity if relevant)</i>
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	Applicable: 1st January 2023: a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued. <i>(State the impact of the standard to the Entity if relevant)</i>
Other improvements to IPSAS	Applicable 1st January 2023 • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008). • <i>IPSAS 39: Employee Benefits</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023. <i>State the impact of the standard to the Entity if relevant</i>
IPSAS 43	Applicable 1st January 2025 The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that

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

ii. Early adoption of standards

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

4. Summary Of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

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

Notes to the Financial Statements (Continued)

Revenue from exchange transactions

Rendering of services

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

Sale of goods

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

Interest income

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

Dividends

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

Rental income

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

Notes to the Financial Statements (Continued)

b) Budget information

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

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

Notes to the Financial Statements (Continued)

e) 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 **xxx** years. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

e) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts

as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Notes to the Financial Statements (Continued)

f) Leases

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

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

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

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

g) Intangible assets

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

Notes to the Financial Statements (Continued)

h) Research and development costs

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

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

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

i) Financial instruments

Financial assets

Initial recognition and measurement

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

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

Loans and receivables

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

Notes to the Financial Statements (Continued)

Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

Notes to the Financial Statements (Continued)

Loans and borrowing

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

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

i) Inventories

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

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

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

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

j) Provisions

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

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

Notes to the Financial Statements (Continued)

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

Contingent liabilities

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

Contingent assets

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

k) Nature and purpose of reserves

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

l) Changes in accounting policies and estimates

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

m) Employee benefits

Retirement benefit plans

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

Notes to the Financial Statements (Continued)

n) Foreign currency transactions

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

o) Borrowing costs

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

p) Related parties

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

q) Service concession arrangements

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

Notes to the Financial Statements (Continued)

r) Cash and cash equivalents

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

s) Comparative figures

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

t) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

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

Notes to the Financial Statements (Continued)

Useful lives and residual values

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

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

Provisions

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

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

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

Lunga Lungu Sub County Hospital (Kwale County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

6. Transfers From The County Government

Description	2021/22	2020/21
	KShs	KShs
Unconditional grants		
Operational grant	1,623,300	-
Level 5 grants	-	-
Other grants	-	-
	1,623,300	-
Conditional grants		
User fee forgone	-	-
Transforming health services for Universal care project (THUCP)	-	-
Global Fund Commodities	9,052,415	-
Wards Development grant	-	-
Paediatric block grant	-	-
Administration block grant	-	-
Laboratory grant	-	-
Total government grants and subsidies	10,675,715	-

Notes to the Financial Statements (Continued)

6 Transfers from The County Government

Name of the Entity sending the grant	Amount recognized to Statement of financial performance KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	Total 2020/21
			KShs	KShs	KShs
Kwale County Government	1,623,300	-	-		1,623,300
Total	1,623,300	-	-		1,623,300

(Ensure that the amount recorded above as having been received from the County fully reconciles to the amount recorded by the amount recorded as transferred by the County. An acknowledgement note/receipt should be raised in favour of the sending County Government. The details of the reconciliation have been included under appendix xxx).

7. In Kind Contributions from The County Government

Description	2021/22	2020/21
	KShs	KShs
Salaries and wages	84,319,868.40	-
Pharmaceutical and Non-Pharmaceutical Supplies	20,161,469.35	-
Medical supplies-Drawings Rights (KEMSA)	13,754,694.6	-
Utility bills	-	-
Total grants in kind	118,236,032.35	-

(These include payments made directly by the County Governments for staff salaries and medical drugs. These should be recorded both as income and expense for completeness of financial statements)

8. Grants From Donors and Development Partners

Description	2021/22	2020/21
	KShs	KShs
Cancer Centre grant- DANIDA	-	-
World Bank grants	-	-
Paediatric ward grant- JICA	-	-
Research grants	-	-
Other grants (Gloal Fund Commodities)	9,052,415	-
Total grants from development partners	9,052,415	-

(Provide brief explanation for this revenue)

Lunga Lungu Sub County Hospital (Kwale County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

Notes to the Financial Statements (Continued)

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

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

9. Transfers From Other Government Entities

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

10. Public Contributions and Donations

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

The revenue was collected from the following areas

- 1)EduAfya-197,900
- 2)Direct Collection from patients-3,012,055
- 3)Lindamama Program-8,056,900
- 4)NHIF Capitation-1,587,500

Notes to the Financial Statements (Continued)

10 (a) Reconciliations of amortised grants

Description	2021/22	2020/21
	KShs	KShs
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Amortised and transferred to revenue	-	-
Conditions to be met – remain liabilities	-	-

11. Rendering of Services-Medical Service Income

Description	2021/22	2020/21
	KShs	KShs
Pharmaceuticals	3,012,055	-
Non-Pharmaceuticals	-	-
Laboratory	-	-
Radiology	-	-
Orthopedic and Trauma Technology	-	-
Theatre	-	-
Accident and Emergency Service	-	-
Anesthesia Service	-	-
Ear Nose and Throat service	-	-
Nutrition service	-	-
Cancer centre service	-	-
Dental services	-	-
Reproductive health	-	-
Paediatrics services	-	-
Farewell home services	-	-
Other medical services income (Capitation and Lindamama)	9,644,400	-
Total revenue from the rendering of services	12,656,455	-

(other medical services fee relates to other charges not listed above)

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

Notes to the Financial Statements (Continued)

12. Revenue From Rent of Facilities

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

(Provide brief explanation for this revenue)

13. Finance /Interest Income

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

(Provide brief explanation for this revenue)

14. Other Income

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

Notes to the Financial Statements (Continued)

15. Medical/ Clinical Costs

Description	2021/22	2020/21
	KShs	KShs
Dental costs/ materials	-	-
Laboratory chemicals and reagents	410,000	-
Public health activities	-	-
Food and Ration	5,800,000	-
Uniform, clothing, and linen	50,000	-
Dressing and Non-Pharmaceuticals	990,380	-
Pharmaceutical supplies		-
Health information stationery	-	-
Reproductive health materials	-	-
Sanitary and cleansing Materials	834,410	-
Purchase of Medical gases	696,090	-
X-Ray/Radiology supplies	25,000	-
Other medical related clinical costs (<i>specify</i>)	-	-
Total medical/ clinical costs	8,805,880	-

(Other medical/clinical related costs refers to all other costs involved in management of the patients directly not analysed above.)

16. Employee Costs

Description	2021/22	2020/21
	KShs	KShs
Salaries, wages, and allowances	84,319,868.40	-
Contributions to pension schemes	-	-
Service gratuity	-	-
Performance and other bonuses	-	-
Staff medical expenses and Insurance cover	-	-
Group personal accident insurance and WIBA	-	-
Social contribution	-	-
Other employee costs (<i>specify</i>)	-	-
Employee costs	84,319,868.40	-

(Social contribution relates to expenses incurred by the employer towards social welfare of Employees)

Lunga Lungu Sub County Hospital (Kwale County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

Notes to the Financial Statements (Continued)

17. Board of Management Expenses

Description	2021/22	2020/21
	KShs	KShs
Chairman's Honoraria	-	-
Sitting allowance	471,650	-
Mileage	-	-
Insurance expenses	-	-
Induction and training	-	-
Travel and accommodation allowance	16,000	-
Airtime allowances	-	-
Total	487,650	-

18. Depreciation And Amortization Expense

Description	2021/22	2020/21
	KShs	KShs
Property, plant and equipment	-	-
Intangible assets	-	-
Furniture and Fittings	20,000.00	-
ICT and Equipments	117,037.50	-
Investment property carried at cost	-	-
Total depreciation and amortization	137,037.50	-

19. Repairs And Maintenance

Description	2021/22	2020/21
	KShs	KShs
Property- Buildings	771,930	-
Medical equipment	0	-
Office equipment	138,492	-
Furniture and fittings	407,370	-
Computers and accessories	342,140	-
Motor vehicle expenses	504,860	-
Maintenance of civil works	-	-
Total repairs and maintenance	2,164,792	-

Notes to the Financial Statements (Continued)

20. Grants And Subsidies

Description	2021/22	2020/21
	KShs	KShs
Community development and social work	-	-
Education initiatives and programs	-	-
Free/ subsidised medical camp	-	-
Disability programs	-	-
Free cancer screening	-	-
Other grants and subsidies(Global Fund Commodities)	9,052,415	-
Total grants and subsidies	9,052,415	-

21. General Expenses

Description	2021/22	2020/21
	KShs	KShs
Advertising and publicity expenses	-	-
Catering expenses	439,000	-
Waste management expenses	-	-
Insecticides and rodenticides	-	-
Audit fees	-	-
Bank charges	-	-
Conferences and delegations	-	-
Consultancy fees	-	-
Contracted services/Consumables	787,667	-
Electricity expenses	-	-
Insurance	-	-
Research and development expenses	-	-
Travel and accommodation allowance	744,750	-
Other Fuels	532,200	-
Refined Fuel and Lubricants	4,204,018	-
Legal expenses	-	-
Licenses and permits	-	-
Courier and postal services	-	-
Printing and stationery	401,400	-
Hire charges	-	-
Rent expenses	-	-
Water and sewerage costs	1,132,220	-
Skills development levies	-	-

Lunga Lungu Sub County Hospital (Kwale County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

Description	2021/22	2020/21
	KShs	KShs
Telephone and mobile phone services	166,095	-
Internet expenses/Computer accessories	124,140	-
General Office supplies	837,750	-
Medical Drugs	13,423,759.10	-
Staff training and development	-	-
Subscriptions to professional bodies	-	-
Subscriptions to newspapers periodical, magazines, and gazette notices	-	-
Library books/Materials	-	-
Parking charges	-	-
Total General Expenses	22,792,999.10	-

22. Finance Costs

Description	2021/22	2020/21
	KShs	KShs
Borrowings (amortized cost) *	-	-
Finance leases (amortized cost)	-	-
Interest on Bank overdrafts/Guarantees	16,503	-
Interest on loans from commercial banks	-	-
Total finance costs	16,503	-

(Borrowing costs that relate to interest expense on acquisition of non- current assets and do not qualify for Capitalisation as per IPSAS 5: on borrowing costs should be included under this note.)

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

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

24. Unrealized Gain On Fair Value Investments

Description	2021/22	2020/21
	KShs	KShs
Investments at fair value	-	-
Total gain	-	-

Notes to the Financial Statements (Continued)

25. Medical Services Contracts Gains /Losses

Description	2021/22	2020/21
	KShs	KShs
Comprehensive care contracts with NHIF	1,587,500	-
Non- Comprehensive contracts care with NHIF	3,012,055	-
Linda Mama Program	8,056,900	-
Waivers and Exemptions	-	-
Total Gain/Loss	12,656,455	-

26. Impairment Loss

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

27. Cash And Cash Equivalents

Description	2021/22	2020/21
	KShs	KShs
Current accounts	241	-
On - call deposits	-	-
Fixed deposits accounts	-	-
Cash in hand	-	-
Others(<i>specify</i>)- Mobile money	-	-
Total cash and cash equivalents	241	-

(The amount should agree with the closing and opening balances as included in the statement of cash flows)

Notes to the Financial Statements (Continued)

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

Description		2021/22	2020/21
Financial institution	Account number	KShs	KShs
a) Current account			
Kenya Commercial bank	1107465605	241	-
Equity Bank, etc		-	-
Sub- total		241	-
b) On - call deposits			
Kenya Commercial bank		-	-
Equity Bank – etc		-	-
Sub- total		-	-
c) Fixed deposits account			
		-	-
Sub- total		-	-
d) Others(specify)			
cash in hand		-	-
Mobile money- Mpesa, Airtel money		-	-
Sub- total		-	-
Grand total		241	-

28. Receivables From Exchange Transactions

Description	2021/22	2020/21
	KShs	KShs
Medical services receivables	12,656,455	-
Rent receivables	-	-
Other exchange debtors	-	-
Less: impairment allowance	(-)	(-)
Total receivables	12,656,455	-

The revenue was collected from the following areas

1)Direct Collection from patients-3,012,055

2)Lindamama Program-8,056,900

3)NHIF Capitation-1,587,500

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

Notes to the Financial Statements (Continued)

29. Receivables From Non-Exchange Transactions

Description	2021/22	2020/21
	KShs	KShs
Transfers from the County Government	-	-
Undisbursed donor funds	-	-
Other debtors (<i>non-exchange transactions</i>)-Outstanding balance from NHIF	621,450	-
Less: impairment allowance	(-)	(-)
Total	621,450	-

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

30. Inventories

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

Lunga Lungu Sub County Hospital (Kwale County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

Notes to the Financial Statements (Continued)

31. Property, Plant and Equipment

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
	Shs		Shs	Shs	Shs	Shs	Shs	Shs
Cost								
At 1 July 2020	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Disposals	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Transfers/adjustments	-	-	(-)	-			-	(-)
At 30th June 2021	-	-	-	-	-	-	-	-
At 1 st July 2021	-	-	-	-	-	-	-	-
Additions	-	-	-	200,000	468,150	-	-	668,150
Disposals	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Transfer/adjustments		-		-			(-)	-
At 30th June 2022	-	-	-	200,000	468,150	-	-	668,150
Depreciation and impairment								
At 1 July 2020	-	-	-	-	-	-		-
Depreciation for the year	-	-	-	-	-	-		-
Disposals	(-)	(-)	(-)	(-)	(-)	(-)		(-)
Impairment	(-)	(-)	(-)	(-)	(-)	(-)		(-)
At 30 June 2021	-	-	-	-	-	-		-

Lunga Lungu Sub County Hospital (Kwale County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
At July 2021	-	-	-	-	-	-		-
Depreciation	-	-	-	20,000	117,037.50	-		137,037.50
Disposals	(-)	(-)	(-)	(-)	(-)	(-)		(-)
Impairment	(-)	(-)	(-)	(-)	(-)	(-)		(-)
Transfer/adjustment		-	-	-	-	-	(-)	(-)
At 30th June 2022	-	-	-	20,000	117,037.50	-	-	137,037.50
Net book values								
At 30 th June 2021	-	-	-	-	-	-	-	-
At 30 th June 2022	-	-	-	180,000	351,112.50	-	-	531,112.50

(The office furniture is depreciated at a rate of 10% and ICT Equipment at 25% using straight line method)

Notes to the Financial Statements (Continued)

32. Intangible Assets-Software

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

33. Investment Property

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

34. Trade And Other Payables

Description	2021/22	2020/21
	KShs	KShs
Trade payables	-	-
Employee dues	-	-
Third-party payments (unremitted payroll deductions)	-	-
Audit fee	-	-
Doctors' fee	-	-
Total trade and other payables	-	-

Lunga Lungu Sub County Hospital (Kwale County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

Notes to the Financial Statements (Continued)

35. Refundable Deposits from Customers/Patients

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

36. Provisions

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

37. Finance Lease Obligation

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

Notes to the Financial Statements (Continued)

38. Deferred Income

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

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

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

39. Borrowings

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

Lunga Lungu Sub County Hospital (Kwale County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

Notes to the Financial Statements (Continued)

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

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

40. Service Concession Arrangements

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

41. Cash Generated from Operations

	2021/22	2020/21
	KShs	KShs
Surplus for the year before tax		
Adjusted for:		
Depreciation	-	-
Non-cash grants received (Salaries, Non Pharms, Global Fund Commodities.)	-	(-)
Impairment	-	-
Gains and losses on disposal of assets	(-)	(-)
Contribution to provisions	241	-
Contribution to impairment allowance	-	-
Working Capital adjustments		
Increase in inventory	(-)	(-)
Increase in receivables	(-)	(-)
Increase in deferred income	-	-
Increase in payables	-	-
Increase in payments received in advance	-	-
Net cash flow from operating activities	241	-

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

Notes to the Financial Statements (Continued)

42. Financial Risk Management

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

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

(i) Credit risk

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

Lunga Lungu Sub County Hospital (Kwale County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

Notes to the Financial Statements (Continued)

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2020				
Receivables from exchange transactions	-	-	-	-
Receivables from –non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-
At 30 June 2022				
Receivables from exchange transactions	621,450	-	-	-
Receivables from –non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	621,450	-	-	-

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

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

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

(ii) Liquidity risk management

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

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

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

(iii) Market risk

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

Lunga Lungu Sub County Hospital (Kwale County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

Notes to the Financial Statements (Continued)

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

a) Foreign currency risk

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

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

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

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

Notes to the Financial Statements (Continued)

Foreign currency sensitivity analysis

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

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

Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

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 0 (2021: KShs 0). A rate increase/decrease of 5% would result in a decrease/increase in surplus of KShs 0 (2022 – KShs 0).

iv) Capital Risk Management

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

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

43. Related Party Balances

Nature of related party relationships

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

Government of Kenya

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

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

Notes to the Financial Statements (Continued)

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

Description	2021/22	2020/21
	Kshs	Kshs
Transactions with related parties		
a) Services offered to related parties		
Services to xxx	-	-
Sales of services to xxx	-	-
Total	-	-
b) Grants from the Government		
Grants from County Government	118,236,032.35	-
Grants from the National Government Entities	9,052,415	-
Donations in kind	-	-
Total	127,288,447.35	-
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for L/lunga Sub County Hospital employees	84,319,868.40	-
Payments for goods and services for L/Lunga Sub County Hospital	42,968,578.95	-
Total	127,288,447.35	-
d) Key management compensation		
Directors' emoluments	487,650	-
Compensation to the medical Sup	-	-
Compensation to key management	-	-
Total	487,650	-

Lunga Lungu Sub County Hospital (Kwale County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

Notes to the Financial Statements (Continued)

44. Segment Information

N/A

45. Contingent Liabilities

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

46. Capital Commitments

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

47. Events After The Reporting Period

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

48. Ultimate And Holding Entity

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

49. Currency

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

XIX. Appendices

Appendix 1: Progress on Follow Up Of Auditor Recommendations

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

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

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report.
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from the final external audit report that is signed by Management.
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for the 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

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

Lunga Lungu Sub County Hospital (Kwale County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

APPENDIX II: Projects Implemented by The Entity

Projects

Projects implemented by the Hospital Funded by development partners

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

Status of Projects completion

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

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

APPENDIX IV: Inter-Entity Confirmation Letter

[Insert your Letterhead]

[Insert name of beneficiary entity]

[Insert Address]

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

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

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

Head of Accountants department of beneficiary entity:

Name Sign Date

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

APPENDIX V Reporting of Climate Relevant Expenditures

Name of the Organization

Telephone Number

Email Address

Name of Medical Supp/MD/Head

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

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

APPENDIX VI Disaster Expenditure Reporting Template

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