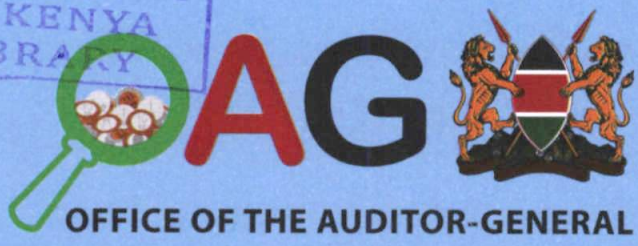
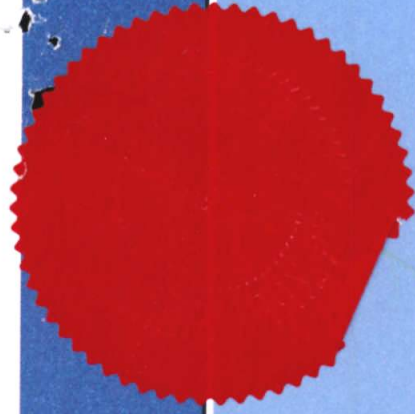


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REPORT

OF

THE AUDITOR-GENERAL

ON

**NYAMARIMBA SUB-COUNTY
LEVEL 4 HOSPITAL**

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

COUNTY GOVERNMENT OF SIIAYA

DATE	19/09/2024
TABLED BY	ML
COMMITTEE	—
CLERK AT THE TABLE	Carolyne Cherop

Issued 30th June 2022

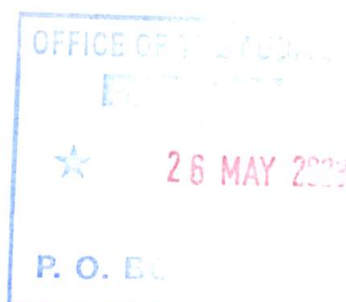


**NYAMARIMBA SUBCOUNTY HOSPITAL
(Kisumu County Government)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2022

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



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I. Key Entity Information and Management

(a) Background information

Nyamarimba Subcounty Hospital is a level 4 hospital established under gazette notice number xxx and is domiciled in Kisumu County under the Health Department. The hospital is governed by a Board of Management.

(b) Principal Activities

The principal activity/mission/ mandate of the *hospital* is to provide equitable affordable and quality healthcare all citizens

Vision

A dynamic, excellent and globally competitive county health services, that contribute to the healthy and productive population.

Mission:

To transform the livelihood of the people of Kisumu County through responsive and Sustainable technologically driven evidence-based and client centered health system for accelerated attainment of the highest standards of health.

(c) Key Management

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

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

(d) Fiduciary Management

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

No.	Designation	Name
1.	Medical Superintendent	Moses Marwa
2.	Director Nursing	Fredrick Ocholla
3.		
4.		
5.		

(Include all positions regarded as top management in your organisation).

(e) Fiduciary Oversight Arrangements

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

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

(f) Entity Headquarters

P.O. Box 9
Sondeu , KENYA

(g) Entity Contacts

Telephone: (+254) 726855929

(h) Entity Bankers

Kenya Commercial Bank
A/C No.1113526580

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

(k) County Attorney

P.O. Box. 2738 - 40100
Kisumu, Kenya

II. The Board of Management

Ref	Director	Details
1.	Phillip Okinda	Chairperson
2.	Benter Auma	Finance
3.	Alfred Odongo	Member
4.	Paul Adera	Youth
5.	Ruth Oseno	Faith Based
6.	Christine Okeyo	Woman rep
7.	Caleb Owako	HCSD
8.	Moses Marwa	Medsupt-Secretary

III. Management Team

Ref	Management	Details
1.	Moses Marwa	Medsup
2.	Fredrick Ocholla	Director-nursing
3.	Barnabas Aduda	Pharmacy in charge
4.	Horrace Okeyo	Lab Manager
5.	Overlyne Oswe	HRIO
6.	Millicent Atieno	CHA
7.		
8.		
	<i>(Note: The Med sup and the Entity Secretary will feature both under the 'Board' and 'Management'.)</i>	

IV. Chairman's Statement

One – two pages

{(Under this section, the Chairman of the Board of Management will give a brief highlight of the key activities during the year, successes consolidated, challenges being faced, and the way forward or future outlook for the hospital)}. (The report should be signed by the chairman of the governing body.)

V. Report of The Chief Executive Officer

(Two-to-three pages)

{(Under this section, the Medical Superintendent will give his report which highlights the same issues as the Chairman in a more detailed format. The Medical Superintendent may also mention at a high level the financial performance of the organisation)}.

(The report should be signed by the Medical Superintendent.)

VI. Statement Of Performance Against Predetermined Objectives

(Two-to-three pages)

Section 164 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the County Government entity’s performance against predetermined objectives.

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

Pillar /theme/issue 1:

Pillar/theme/issue 2:

XXX develops its annual work plans based on the above X pillars/Themes/Issues. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The XXX achieved its performance targets set for the FY 20xx/20xx period for its xx strategic pillars, as indicated in the diagram below:

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

(Under this section therefore, the management should include performance against the strategic objectives of the organisation. The management should outline the strategic Pillars, activities towards their achievement and outputs under each strategic pillar. The organisation should also briefly outline how they have tied achievements to performance contracts)

VII. Corporate Governance Statement

Two-to-three pages

(Under this section, include the number of Board meetings held and the attendance to those meetings by members, succession plan, existence of a Board charter, process of appointment and removal of Board members, roles and functions of the Board, induction, and training, Board and member performance, conflict of interest, board remuneration, ethics, and conduct as well as governance audit.)

VIII. Management Discussion and Analysis

Two- four pages

(Under this section, the management gives a report on the operational and financial performance of the organisation during the period, entity's key projects or investments decision implemented or ongoing, entity's compliance with statutory requirements, major risks facing the organisation, material arrears in statutory and other financial obligations, and any other information considered relevant to the users of the financial statements.)

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

Clinical/operational performance

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

Financial performance that includes

- revenue sources,
- utilisation of funds etc

(The management discussion and analysis should be signed by the Chief Executive Officer/Medical Superintendent)

IX. Environmental And Sustainability Reporting **Two-to-three pages)**

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

i) Sustainability strategy and profile

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

ii) Environmental performance

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

iii) Employee welfare

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

iv) Market place practices-

The organisation should outline its efforts to:

a) Responsible competition practice.

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

b) Responsible Supply chain and supplier relations

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

c) Responsible marketing and advertisement

Outline efforts to maintain ethical marketing practices.

d) Product stewardship

Outline efforts to safeguard consumer rights and interests.

v) ***Corporate Social Responsibility / Community Engagements***

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

X. Report of The Board of Management

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

Principal activities

The principal activities of the entity are (continue to be)

Results

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

Board Of Management

The members of the Board who served during the year are shown on page xxx. During the year xxx director retired/ resigned and xxx was appointed with effect from xxxx date.

Auditors

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

By Order of the Board

(XXX

To be signed by the Secretary of the Board)

XI. Statement of Board of Management's Responsibilities

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

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

The Board of Management accepts responsibility for the *entity's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (*– entities should quote applicable legislation as indicated under*). The Board members are of the opinion that the *entity's* financial statements give a true and fair view of the state of *entity's* transactions during the financial year ended June 30, 2xxx, and of the *entity's* financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the *entity's* financial statements as well as the adequacy of the systems of internal financial control.

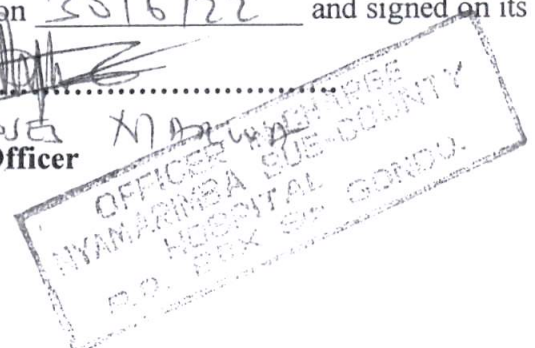
Nothing has come to the attention of the Board of management to indicate that the *entity* will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Hospital's financial statements were approved by the Board on 30/6/22 and signed on its behalf by:

.....
Name: Mavis Okoth
Chairperson
Board of Management

.....
Name: Maria Njoroge
Accounting Officer



REPUBLIC OF KENYA



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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 NYAMARIMBA SUB-COUNTY HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2022 – COUNTY GOVERNMENT OF SIAYA

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 Nyamarimba Sub-County Hospital - County Government of Siaya set out on pages 1 to 51, which comprise of the

Report of the Auditor-General Nyamarimba Sub-County Hospital for the year ended 30 June, 2022 – County Government of Siaya

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

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

Basis for Qualified Opinion

1. Inaccuracies in the Statement of Financial Performance

The statement of financial performance reflects an expenditure of Kshs.334,584 relating to medical/clinical costs as disclosed in Note 15 to the financial statements. However, the amount varies with the recasted amount of Kshs.434,584 resulting to an unreconciled variance of Kshs.100,000.

In the circumstances, the accuracy of the statement of financial performance could not be confirmed.

2. Inaccuracy in the Cash and Cash Equivalents Balance

The statement of financial position reflects a cash and cash equivalents balance of Kshs.225,000. However, the corresponding Note 27 to the financial statements reflects a Nil balance for the year but indicates an opening balance of Kshs.225,000.

In the circumstances, the accuracy of the cash and cash equivalents balance could not be confirmed.

3. Unreconciled Variances between the Financial Statements and the Supporting Ledgers

Review of the financial statements against the general ledger revealed variances as shown below;

Component	Item Description	Financial Statement Amounts Kshs.	Ledger Amounts Kshs.	Variance Kshs.
Transfers from the County Government	Kisumu County Government	718,257	1,325,084	606,827
Transfers from Other Government Entities	Transfer from National Government (Ministry of Health)	212,980	100,000	112,980

Component	Item Description	Financial Statement Amounts Kshs.	Ledger Amounts Kshs.	Variance Kshs.
Rendering of Services	Rendering of Services	108,595	286,250	177,655
Medical/Clinical Costs	Pharmaceutical Supplies	25,084	52,640	27,556
Medical/Clinical Costs	Sanitary and Cleansing Materials	59,000	55,500	3,500
Board of Management Expenses	Sitting Allowance	27,000	36,000	9,000
General Expenses	Electricity Expenses	83,000	98,000	15,000
General Expenses	Travel and Accommodation Allowance	179,000	68,000	111,000
General Expenses	Refined Fuels and Lubricants	34,000	30,700	3,300
General Expenses	Water and Sewerage Costs	32,000	29,800	2,200
Cash and Cash Equivalents	Current Accounts	225,000	204,774	20,226
Employee Costs	Salaries and Wages	425,000	493,000	68,000

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

4. Unconfirmed Inventory Balance

The statement of financial position reflects Kshs.230,356 balance for inventories. However, no inventory valuation report was provided for audit and no evidence of conducting of the annual stock take to confirm the quantities, value and status of closing inventory balances was provided.

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

5. Non-Disclosure of Property, Plant and Equipment

The statement of financial position reflects Nil property, plant and equipment balance. However, review of Hospital records and physical verification revealed various assets including land, buildings, motor vehicles, furniture, computers and equipment which were not disclosed in the financial statements. Further, the ownership documents for land were not provided for audit.

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

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Nyamarimba 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.

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. Non-Compliance with the Prescribed Reporting Template

The financial statements submitted for audit do not comply with the template on reporting as issued by the Public Sector Accounting Standards Board (PSASB) for the financial reporting of 2021/2022 financial year as indicated below;

- i. Page is numbered as 'iii' instead of 'I'.
- ii. Table of Contents does not indicate the Acronyms and Glossary of Terms used in the financial statements.
- iii. The numbering of the Table of Contents is done in roman numbers instead of numeric numbers.
- iv. Details of the Board of Management ages, qualifications and work experience have not been disclosed.
- v. The Chairman's Statement has not been signed by the Chairman of the Board.
- vi. The Report of the Medical Superintendent is incorrectly referred to as the Report of the Chief Executive Officer. Further, it has not been signed by the Secretary to the Board.
- vii. Statement of Performance Against Predetermined Objectives has not been populated with relevant disclosures.
- viii. Corporate Governance Statement has not been populated with relevant disclosures.
- ix. Management Discussion and Analysis Statement has not been populated with relevant disclosures.

- x. Environment and Sustainability Reporting Statement has not been populated with relevant disclosures.
- xi. The Statement of Board of Management's Responsibilities has not been populated with relevant disclosures.
- xii. ICPAK number of the Accountant has not been indicated.

In the circumstances, the financial statements prepared and presented do not comply with the reporting template.

2. Lack of an Approved Annual Itemized Budget

During the review of the financial statement for year 2022/2023, it was noted that the budget provided for audit was not an actual budget but an allocation of Authority to Incur Expenditure (AIEs). There was no evidence of approval of the budget by the County. This was contrary to Regulation 29(1) of the Public Finance Management (County Governments) Regulations, 2015. Hence, Management did not have an annual approved itemized budget, developed by Management, and approved by the Board of Management and submitted to the County Government for approval.

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

3. Failure to Transfer Revenue to the County Revenue Fund Account

The statement of financial performance reflects rendering services - medical services income of Kshs.286,250 as disclosed in Note 11 to the financial statements. However, the amount was not transferred to the County Revenue Fund Account for approval by the Controller of Budget before withdrawal. This was contrary to Regulation 81(1-3) of Public Finance Management (County Governments) Regulations, 2015 which states that a receiver of revenue shall promptly deposit into the County exchequer account all receipts due to the County Revenue Fund.

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

4. Non-Compliance with Universal Health Coverage (UHC) Requirements

4.1. Staffing Requirement Gaps

Review of Hospital records and interviews on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits by ninety-five (95) staff or 94% of the authorized establishment.

Staff Requirements	Level 4 Standard	Number in Hospital	Variance	Percentage (%)
Medical Officers	16	0	16	100
Anesthesiologists	2	0	2	100
General Surgeons	2	0	2	100
Gynecologists	2	0	2	100

Staff Requirements	Level 4 Standard	Number in Hospital	Variance	Percentage (%)
Pediatricians	2	0	2	100
Radiologists	2	0	2	100
Registered Community Health Nurses	75	6	69	92
Total	101	6	95	94

4.2. Equipment Requirement Gaps

During the year under review, verification of medical equipment and facilities requirements at the Hospital revealed that the facility did not meet a threshold of a level 4 hospital as prescribed by the Kenya Quality Model for Health policy guidelines as detailed in the table below;

Service	Level 4 Hospital Standard	Actuals in the Hospital	Variance	Percentage (%)
Bed Capacity	150	10	140	93
Incubators (Newborn)	5	0	5	100
Cots	5	0	5	100
Resuscitaire In Theatre	1	0	1	100
Resuscitaire In Labour Ward	2	1	1	50
Functional ICU Beds	6	0	6	100
HDU Beds	6	0	6	100
Renal Unit with Dialysis Machines	5	0	5	100
Functional Operating Theaters Maternity and General	2	0	2	100

In addition, the Hospital lacked the necessary equipment and machines outlined in the Health Policy Guidelines to provide the following services.

Item Description	Minimum Required	Status
Surgical Services	Should be in place	Not in place
Pediatric Services	Should be in place	Not in place
Gynecology Services	Should be in place	Not in place
Radiology Services	Should be in place	Not in place
Renal Services	Should be in place	Not in place

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

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

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. Board of Management

The Hospital Board of Management does not have a Charter that defines the specific role, responsibilities, and functions of the Board. In addition, Management did not submit the gazette notifications or the corresponding appointment letters for the Hospital's Board of Management members.

In the circumstances, the effectiveness of internal controls, risk management and governance in the Hospital during the year under review could not be confirmed.

2. Varying Data on Vaccines Received by the Hospital

A comparison of the Hospitals records on vaccines received against data from the returns to the Ministry of Health Vaccine Centre revealed variances as shown below;

Vaccine Type	MOH Vaccine Centre Figure	Nyamarimba Level 4 Figure	Variance
Rotavirus 3	0	12	12
Tetanus Toxoid for Trauma	0	137	137
Tetanus Toxoid for Pregnant Women	0	196	196

In the circumstances, the effectiveness of the controls on management of vaccines 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 control, risk management and overall governance were

operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and the Board of Management

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Hospital to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

09 July, 2024

Nyamarimba SubCounty Hospital (Kisumu County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

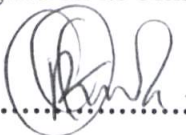
XIII. Statement of Financial Performance for The Year Ended 30 June 2022

Description	Notes	2021/22 Kshs	2020/21 Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	6	718,257	
In- kind contributions from the County Government	7	0	
Grants from donors and development partners	8	0	
Transfers from other Government entities	9	212,980	
Public contributions and donations	10	0	
Revenue from exchange transactions			
Rendering of services- Medical Service Income	11	108,595	
Revenue from rent of facilities	12	0	
Finance /Interest Income	13	0	
Other income (<i>specify</i>)	14	0	
Revenue from exchange transactions			
Total revenue		1,039,832	
Expenses			
Medical/Clinical costs	15	334,584	
Employee costs	16	493,000	
Board of Management Expenses	17	27,000	
Depreciation and amortization expense	18	0	
Repairs and maintenance	19	80,000	
Grants and subsidies	20	0	
General expenses	21	382,000	
Finance costs	22	0	
Total expenses		1,316,584	
Other gains/(losses)			
Gain on disposal of non-Current assets	23	0	
Unrealized gain on fair value of investments	24	0	

Medical services contracts Gains/Losses	25	0	
Impairment loss	26	0	
Gain on foreign exchange transactions			
Total other gains/(losses)			
Net Surplus for the year		(276,752)	
Attributable to:			
Surplus/(deficit) attributable to minority interest			
Surplus attributable to owners of the controlling entity			

(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 30/6/22 and signed on its behalf by:



Chairman
Board of Management



Head of Finance
ICPAK No:
ACCOUNTANT
 DEPARTMENT OF HEALTH & SANITATION
 P.O. BOX 721 - 40100,
 KISUMU



Medical Superintendent

OFFICER IN-CHARGE
NYAMIRIBA SUB-COUNTY
HOSPITAL
 P.O. BOX 99 SANDU

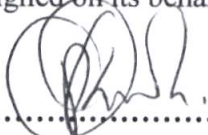
XIV. Statement of Financial Position as of 30th June 2022

Description	Notes	2021/22 Kshs	2020/21 Kshs
Assets			
Current assets			
Cash and cash equivalents	27	225,000	Xxx
Receivables from exchange transactions	28	Xxx	Xxx
Receivables from non-exchange transactions	29	Xxx	Xxx
Inventories	30	Xxx	Xxx
Total Current Assets		Xxx	Xxx
Non-current assets			
Property, plant, and equipment	31	Xxx	Xxx
Intangible assets	32	Xxx	Xxx
Investment property	33	Xxx	Xxx
Total Non-current Assets		Xxx	Xxx
Total assets		Xxx	Xxx
Liabilities			
Current liabilities			
Trade and other payables	34	Xxx	Xxx
Refundable deposits from customers/Patients	35	Xxx	Xxx
Provisions	36	Xxx	Xxx
Finance lease obligation	37	Xxx	Xxx
Current portion of deferred income	38	Xxx	Xxx
Current portion of borrowings	39	Xxx	Xxx
Total Current Liabilities		Xxx	Xxx
Non-current liabilities			
Provisions	36	Xxx	Xxx
Non-Current Finance lease obligation	37	Xxx	Xxx
Non-Current portion of deferred income	38	Xxx	Xxx
Non - Current portion of borrowings	39	Xxx	Xxx
Service concession liability	40	Xxx	Xxx
Total Non-current liabilities		Xxx	Xxx
Total Liabilities		Xxx	Xxx


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

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

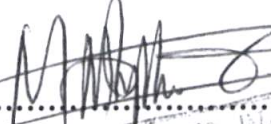
The Hospital's financial statements were approved by the Board on 30/6/22 and signed on its behalf by:



Chairman
Board of Management



Head of Finance
 ICPAK No:



Medical Superintendent
 NYAMAMIMBA SUBCOUNTY HOSPITAL
 P.O. BOX 92 SONDU

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

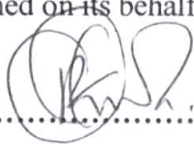
	Revaluation reserves	Accumulated surplus/(Deficit)	Capital Fund	Total
As at July 1, 2020	Xxx	xxx	Xxx	Xxx
Revaluation gain	Xxx	-	-	Xxx
Surplus/(deficit) for the year	-	xxx	-	Xxx
Capital/Development grants	-	-	Xxx	Xxx
As at June 30, 2021	xxx	xxx	xxx	xxx
At July 1, 2021	Xxx	xxx	Xxx	Xxx
Revaluation gain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


(Note:

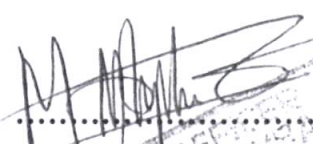
1. For items that are not common in the financial statements, the entity should include a note on what they relate to – either on the face of the statement of changes in equity/net assets or among the notes to the financial statements.
2. Prior year adjustments should have an elaborate note describing what the amounts relate to. In such instances, a restatement of the opening balances needs to be done.)

(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 30/6/22 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

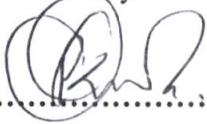
Description	Note	2021/22 Kshs	2020/21 Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government		718,257	xxx
Grants from donors and development partners		0	xxx
Transfers from other Government entities		212,980	xxx
Public contributions and donations		0	xxx
Rendering of services- Medical Service Income		108,595	xxx
Revenue from rent of facilities		0	xxx
Finance / interest income		0	xxx
Other receipts(<i>specify</i>)		0	xxx
Total Receipts		1,039,832	xxx
Payments			
Medical/Clinical costs		334,584	xxx
Employee costs		493,000	xxx
Board of Management Expenses		27,000	xxx
Repairs and maintenance		80,000	xxx
Grants and subsidies		0	xxx
General expenses		382,000	xxx
Finance costs		0	xxx
Refunds paid out		0	xxx
Total Payments		1,316,584	xxx
Net cash flows from operating activities	41	(276,752)	xxx
Cash flows from investing activities			
Purchase of property, plant, equipment, & intangible assets		0	(xxx)
Proceeds from the sale of property, plant, and equipment		0	xxx
Acquisition of investments		0	(xxx)
Net cash flows used in investing activities			(xxx)
Cash flows from financing activities			
Proceeds from borrowings		0	xxx
Repayment of borrowings		0	(xxx)
Capital grants received		0	xxx
Net cash flows used in financing activities			(xxx)

Nyamaringba Subcounty Hospital (Kisumu County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

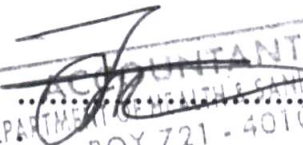
Net increase/(decrease) in cash and cash equivalents		0	(xxx)
Cash and cash equivalents at 1 July	27	225,000	xxx
Cash and cash equivalents at 30 July	27	(51,752)	xxx

(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 x to xx form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 30/6/22 and signed on its behalf by:

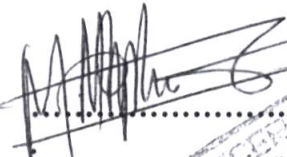


Chairman
Board of Management



Head of Finance
ICPAK No:

ACCOUNTANT
 DEPARTMENT OF HEALTH & SANITATION
 P.O. BOX 721 - 40100,
 KISUMU



Medical Superintendent

NYAMARINGBA SUBCOUNTY HOSPITAL
 P.O. BOX 721 - 40100,
 KISUMU

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	Xxx	xxx	xxx	Xxx	xxx	%
Grants from donors and development partners	Xxx	xxx	xxx	Xxx	xxx	%
Transfers from other Government entities	Xxx	xxx	xxx	Xxx	xxx	%
Public contributions and donations	Xxx	xxx	xxx	Xxx	xxx	%
Rendering of services- Medical Service Income	Xxx	xxx	xxx	Xxx	xxx	%
Revenue from rent of facilities	Xxx	xxx	xxx	Xxx	xxx	%
Finance / interest income	Xxx	xxx	xxx	Xxx	xxx	%
Other receipts (<i>specify</i>)	Xxx	xxx	xxx	Xxx	xxx	%
Total income	Xxx	xxx	xxx	Xxx	xxx	%
Expenses						
Medical/Clinical costs	Xxx	xxx	xxx	Xxx	xxx	%
Employee costs	Xxx	xxx	xxx	Xxx	xxx	%
Remuneration of directors	Xxx	xxx	xxx	Xxx	xxx	%
Repairs and maintenance	Xxx	xxx	xxx	Xxx	xxx	%
Grants and subsidies	Xxx	xxx	xxx	Xxx	xxx	%
General expenses	Xxx	xxx	xxx	Xxx	xxx	%
Finance costs	Xxx	xxx	xxx	Xxx	xxx	%
Refunds	Xxx	xxx	xxx	Xxx	xxx	%
Surplus for the period	Xxx	xxx	xxx	Xxx	xxx	%
Capital expenditure	Xxx	xxx	xxx	Xxx	xxx	%

Nyamarimba Subcounty Hospital (Kisumu County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

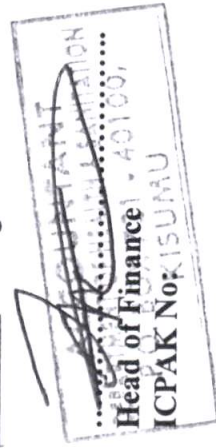
(Budget notes

1. Provide an explanation of differences between actual and budgeted amounts (10% over/ under) IPSAS 24.14
2. Provide an explanation of changes between the original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)
3. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual) provide a reconciliation.)

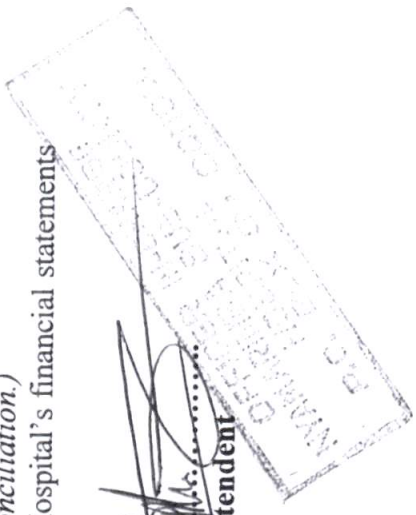
The notes set out on pages x to xx form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 30/6/22 and signed on its behalf by:


.....

**Chairman
Board of Management**


.....
Head of Finance
ICPAK No: KISUMU


.....
Medical Superintendent



XVIII. Notes To the Financial Statements

1. General Information

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

2. Statement Of Compliance And Basis Of Preparation

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

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

3. Adoption of New and Revised Standards

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

Notes to the Financial Statements (Continued)

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

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

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

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

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)

c) Taxes

Sales tax/ Value Added Tax

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

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

d) Investment property

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

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a period of .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, 20XX.

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

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

Notes to the Financial Statements (Continued)

Useful lives and residual values

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

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

Provisions

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

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6. Transfers From The County Government

Description	2021/22	2020/21
	KShs	KShs
Unconditional grants		
Operational grant	718,257.00	718,257.00
Level 5 grants	xxx	xxx
Other grants	xxx	xxx
	718,257.00	718,257.00
Conditional grants		
User fee forgone	xxx	xxx
Transforming health services for Universal care project (THUCP)	xxx	xxx
DANIDA	xxx	xxx
Wards Development grant	xxx	xxx
Paediatric block grant	xxx	xxx
Administration block grant	xxx	xxx
Laboratory grant	xxx	xxx
Total government grants and subsidies	xxx	xxx

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
xx County Government	xxx	Xxx	xxx	xxx	xxx
Total	718,257.00	Xxx	xxx	xxx	718,257.00

(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		
Pharmaceutical and Non-Pharmaceutical Supplies		
Medical supplies-Drawings Rights (KEMSA)		
Utility bills		
Total grants in kind	0	0

(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 (specify)		
Total grants from development partners	0	0

(Provide brief explanation for this revenue)

Notes to the Financial Statements (Continued)

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

Name of the Donor/Granting Institution	Amount recognized to SubCounty Hospital		Amount transferred		Total grants received	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
	KSSh	KSSh	KSSh	KSSh	KSSh	KSSh
Donor e.g., DANIDA						
JICA						
World Bank						
Total						

9. Transfers From Other Government Entities

Description	2021/22	2022/23
	KSSh	KSSh
Transfer from National Government (Ministry of Health)-UHC	100,000	
Transfer from National Hospital Insurance Fund	112,980	
Transfer from xxx Institute		
Total Transfers		

10. Public Contributions and Donations

Description	2021/22	2022/23
	KSSh	KSSh
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	0	0

(Provide brief explanation for this revenue)

Notes to the Financial Statements (Continued)

10 (a) Reconciliations of amortised grants

Description	2021/22 KShs	2020/21 KShs
Balance unspent at beginning of year		
Current year receipts		
Amortised and transferred to revenue		
Conditions to be met – remain liabilities	0	0

11. Rendering of Services-Medical Service Income

Description	2021/22 KShs	2020/21 KShs
Pharmaceuticals	}	
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		
Total revenue from the rendering of services	108,595.00	Xxx

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

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Notes to the Financial Statements (Continued)

12. Revenue From Rent of Facilities

Description	2021/22	2020/21
Residential property		
Commercial property		
Total Revenue from rent of facilities	0	0

(Provide brief explanation for this revenue)

13. Finance /Interest Income

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	0	0

(Provide brief explanation for this revenue)

14. Other Income

Insurance recoveries		
Income from sale of tender		
Services concession income		
Sale of goods (water, publications, containers etc)		
Total other income	0	0

(NB: All income should be classified as far as possible in the relevant classes and other income should be used to recognise income not elsewhere classified).

Notes to the Financial Statements (Continued)

15. Medical/ Clinical Costs

Description	2021/22 KShs	2020/21 KShs
Dental costs/ materials	0	Xxx
Laboratory chemicals and reagents	145,000	Xxx
Public health activities	0	Xxx
Food and Ration	120,000	Xxx
Uniform, clothing, and linen	0	Xxx
Dressing and Non-Pharmaceuticals	52,500	Xxx
Pharmaceutical supplies	25,084	Xxx
Health information stationery		Xxx
Reproductive health materials	33,000	Xxx
Sanitary and cleansing Materials	59,000	Xxx
Purchase of Medical gases	0	Xxx
X-Ray/Radiology supplies	0	Xxx
Other medical related clinical costs (<i>specify</i>)		Xxx
Total medical/ clinical costs	334,584	Xxx

(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 KShs	2020/21 KShs
Salaries, wages, and allowances	425,000	
Contributions to pension schemes	0	
Service gratuity	0	
Performance and other bonuses	0	
Staff medical expenses and Insurance cover	0	
Group personal accident insurance and WIBA	0	
Social contribution	0	
Other employee costs (<i>Daily subsistence allowance</i>)	68,000	
Employee costs	493,000	

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

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Notes to the Financial Statements (Continued)

17. Board of Management Expenses

Description	2021/22	2020/21
	KSh	
Chairman's Honoraria		
Sitting allowance	27,000	
Mileage		
Insurance expenses		
Induction and training		
Travel and accommodation allowance		
Airtime allowances		
Total	27,000	

18. Depreciation And Amortization Expense

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

19. Repairs And Maintenance

Description	2021/22	2020/21
Property- Buildings	80,000	
Medical equipment		
Office equipment		
Furniture and fittings		
Computers and accessories		
Motor vehicle expenses		
Maintenance of civil works		
Total repairs and maintenance	80,000	

Notes to the Financial Statements (Continued)

20. Grants And Subsidies

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

21. General Expenses

Description	2021/22 KShs	2020/21 KShs
Advertising and publicity expenses	0	
Catering expenses	94,000	
Waste management expenses	0	
Insecticides and rodenticides	0	
Audit fees	0	
Bank charges		
Conferences and delegations	0	
Consultancy fees	0	
Contracted services	0	
Electricity expenses	83,000	
Insurance	0	
Research and development expenses	0	
Travel and accommodation allowance	111,000	
General office supply	14,000	
Refined fuels and lubricants	34,000	
Courier and postal services		
Printing and stationery		
Hire charges		
Rent expenses		
Water and sewerage costs	32000	
Skills development levies		
Telephone and mobile phone services	14,000	
Internet expenses		

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Description	2021/22	
	KSh	KSh
Staff training and development		
Subscriptions to professional bodies		
Subscriptions to newspapers periodical, magazines, and gazette notices		
Library books/Materials		
Parking charges		
Total General Expenses	382,000	

22. Finance Costs

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

(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	
	KSh	KSh
Property, plant, and equipment	xxx	Xxx
Intangible assets	xxx	Xxx
Other assets not capitalised (<i>specify</i>)	xxx	Xxx
Total gain on sale of assets	xxx	Xxx

24. Unrealized Gain On Fair Value Investments

Description	2021/22	
	KSh	KSh
Investments at fair value	Xxx	Xxx
Total gain	Xxx	Xxx

Notes to the Financial Statements (Continued)

25. Medical Services Contracts Gains /Losses

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

26. Impairment Loss

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

27. Cash And Cash Equivalents

Description	2021/22	2020/21
	KShs	KShs
Current accounts		225,000
On - call deposits		
Fixed deposits accounts		
Cash in hand		
Others(<i>specify</i>)- Mobile money		
Total cash and cash equivalents		225,000

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

Nyamarimba SubCounty Hospital (Kisumu County Government)
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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		xxx	xxx
Equity Bank, etc		xxx	xxx
Sub- total		xxx	xxx
b) On - call deposits			
Kenya Commercial bank		xxx	xxx
Equity Bank – etc		xxx	xxx
Sub- total		xxx	xxx
c) Fixed deposits account			
Bank Name		xxx	xxx
Sub- total		xxx	xxx
d) Others(specify)		xxx	xxx
cash in hand		xxx	xxx
Mobile money- Mpesa, Airtel money		xxx	xxx
Sub- total		xxx	xxx
Grand total		xxx	xxx

28. Receivables From Exchange Transactions

Description	2021/22	2020/21
	KShs	KShs
Medical services receivables	xxx	Xxx
Rent receivables	xxx	Xxx
Other exchange debtors	xxx	Xxx
Less: impairment allowance	(xxx)	(xxx)
Total receivables	xxx	Xxx

Notes to the Financial Statements (Continued)

29. Receivables From Non-Exchange Transactions

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

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

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Notes to the Financial Statements (Continued)

31. Property, Plant and Equipment

Department	Land and buildings	Motor vehicles	Furniture, fixtures and other equipment	IT equipment	Plant and medical equipment	Capital works in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs
Cost							
At 1 July 2020	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Additions	xxx	xxx	xxx	xxx	-	xxx	xxx
Disposals	(xx x)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xx x)
Transfers/adjustments	xxx	xxx	(xxx)	xxx		xxx	(xx x)
At 30th June 2021	xxx	xxx	xxx	xxx	xxx	xxx	xxx
At 1 st July 2021	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Additions	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Disposals	(xx x)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xx x)
Transfer/adjustments		xxx		xxx		(xxx)	-
At 30th June 2022	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Depreciation and impairment							
At 1 July 2020	xxx	xxx	xxx	xxx	xxx		xxx
Depreciation for the year	xxx	xxx	xxx	xxx	xxx		xxx
Disposals	(xx x)	(xxx)	(xxx)	(xxx)	(xxx)		(xx x)

Nyamirimba SubCounty Hospital (Kisumu County Government)
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Descriptor	Land and Buildings	Motor vehicles	Furniture, fittings, and office equipment	IT ^h Equipment	Plant and medical equipment	Capital Work in progress	Total
	x)						x)
Impairment	(xx xxx)	(xxx)	(xxx)	(xxx)	(xxx)		(xx xxx)
At 30 June 2021	xxx	xxx	xxx	xxx	xxx		xxx
At July 2021	xxx	xxx	xxx	xxx	xxx		xxx
Depreciation	xxx	xxx	xxx	xxx	xxx		xxx
Disposals	(xx xxx)	(xxx)	(xxx)	(xxx)	(xxx)		(xx xxx)
Impairment	(xx xxx)	(xxx)	(xxx)	(xxx)	(xxx)		(xx xxx)
Transfer/adjustment	xxx	-	xxx	-	-	(xxx)	(xx xxx)
At 30th June 2022	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Net book values							
At 30 th June 2021	xxx	xxx	xxx	xxx	xxx	xxx	xxx
At 30 th June 2022	xxx	xxx	xxx	xxx	xxx	xxx	xxx

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Notes to the Financial Statements (Continued)

32. Intangible Assets-Software

Description	2022	2021
Cost		
At beginning of the year	xxx	xxx
Additions	xxx	xxx
Additions-Internal development	xxx	xxx
Disposal	(xxx)	(xxx)
At end of the year	xxx	xxx
Amortization and impairment		
At beginning of the year	xxx	xxx
Amortization for the period	xxx	xxx
Impairment loss	xxx	xxx
At end of the year	xxx	xxx
NBV	xxx	xxx

33. Investment Property

At beginning of the year	xxx	xxx
Additions	xxx	xxx
Fair value gain	xxx	xxx
Depreciation (where investment property is at cost)	(xxx)	(xxx)
At end of the year	xxx	xxx

34. Trade And Other Payables

Trade payables	xxx	xxx
Employee dues	xxx	xxx
Third-party payments (unremitted payroll deductions)	xxx	xxx
Audit fee		
Doctors' fee	xxx	xxx
Total trade and other payables	xxx	xxx

Notes to the Financial Statements (Continued)

35. Refundable Deposits from Customers/Patients

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

36. Provisions

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

37. Finance Lease Obligation

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

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Notes to the Financial Statements (Continued)

38. Deferred Income

Description	2021	2022
Current Portion	xxx	xxx
Non-Current Portion	xxx	xxx
Total	xxx	xxx

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

	2021	2022	2023	2024
Balance b/f	xxx	xxx	xxx	xxx
Additions during the year	xxx	xxx	xxx	xxx
Transfers to Capital fund	(xxx)	(xxx)	(xxx)	(xx x)
Transfers to statement of financial performance	(xxx)	(xxx)	(xxx)	(xx x)
Other transfers (<i>Specify</i>)	(xxx)	(xxx)	(xxx)	(xx x)
Balance C/F	xxx	xxx	xxx	xxx

39. Borrowings

	2021	2022
Balance at beginning of the period	xxx	xxx
External borrowings during the year	xxx	xxx
Domestic borrowings during the year	xxx	xxx
Repayments of external borrowings during the year	(xxx)	(xxx)
Repayments of domestic borrowings during the year	(xxx)	(xxx)
Balance at end of the period	xxx	xxx

Notes to the Financial Statements (Continued)

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

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

(Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed).

40. Service Concession Arrangements

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

41. Cash Generated from Operations

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

(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:

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

(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 xxx

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

(ii) Liquidity risk management

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

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

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	For the month ended	Between 1-3 months	Over 6 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 20xx				
Trade payables	xxx	xxx	xxx	xxx
Current portion of borrowings	xxx	xxx	xxx	xxx
Provisions	xxx	xxx	xxx	xxx
Deferred income	xxx	xxx	xxx	xxx
Employee benefit obligation	xxx	xxx	xxx	xxx
Total	xxx	xxx	xxx	xxx
At 30 June 20xx				
Trade payables	xxx	xxx	xxx	xxx
Current portion of borrowings	xxx	xxx	xxx	xxx
Provisions	xxx	xxx	xxx	xxx
Deferred income	xxx	xxx	xxx	xxx
Employee benefit obligation	xxx	xxx	xxx	xxx
Total	xxx	xxx	xxx	xxx

(iii) Market risk

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

Notes to the Financial Statements (Continued)

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

a) Foreign currency risk

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

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

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)	xxx	xxx	xxx
Liabilities			
Trade and other payables	xxx	xxx	xxx
Borrowings	xxx	xxx	xxx
Net foreign currency asset/(liability)	xxx	xxx	xxx

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 Exchange Rate	Profit	Loss
20xx			
Euro	10%	xxx	xxx
USD	10%	xxx	xxx
20xx			
Euro	10%	xxx	xxx
USD	10%	xxx	xxx

Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

Notes to the Financial Statements (Continued)

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

iv) Capital Risk Management

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

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

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:

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Notes to the Financial Statements (Continued)

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

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

Notes to the Financial Statements (Continued)

44. Segment Information

(Where an organisation operates in different geographical regions or in departments, IPSAS 18 on segmental reporting requires an entity to present segmental information of each geographic region or department to enable users understand the entity's performance and allocation of resources to different segments)

45. Contingent Liabilities

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

(Give details)

46. Capital Commitments

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

(NB: Capital commitments are commitments to be carried out in the next financial year and are disclosed in accordance with IPSAS 17. Capital commitments may be those that have been authorised by the board but at the end of the year had not been contracted or those already contracted for and ongoing)

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 xxx. Its ultimate parent is the Government of Kenya.

49. Currency

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

*Nyamaringba SubCounty Hospital (Kisumu County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022*

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.

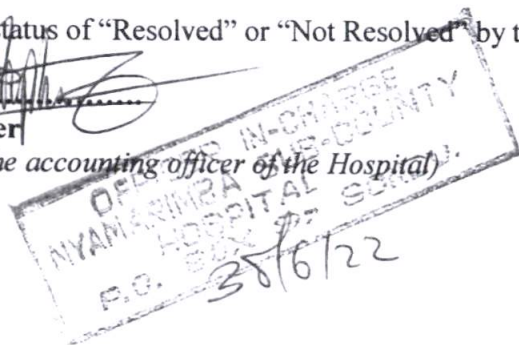
Reference Number External Audit Report	Issue/Observation from Auditor	Management comments	Status (Resolved/Not Resolved)	Timeframe (Provide when you expect the issue to be resolved)

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)



*Nyamarimba SubCounty Hospital (Kisumu County Government)
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APPENDIX II: Projects Implemented by The Entity

Projects

Projects implemented by the Hospital Funded by development partners

Project title	Project Number	Donor	Project duration	Donor contribution	Separate donor reporting required as per the donor agreement (Yes/No)	Contributed to 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)

Qtr	Total project cost	Total expended to date	Completion % to date	Project	Source	Sources of funds
1						
2						
3						

Nyamarimba SubCounty Hospital (Kisumu County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

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

[Insert name of beneficiary entity]
 [Insert Address]

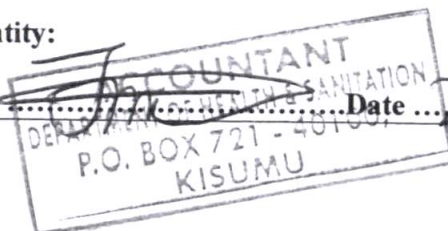
The [insert SC/SAGA/Fund name here] wishes to confirm the amounts disbursed to you as at 30th June 2022 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space 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 Joshua Clinton Sign [Signature] Date 28/6/22



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	Quarter				Number of Staff	Implementing Partners
				Q1	Q2	Q3	Q4		

APPENDIX VI Disaster Expenditure Reporting Template

Date						
Name						
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

APPROVED
BY: RT. HON. SEN
AKAASH J. KINZI

15/05/24

① Cos
recommended for
approval for tabling
Eg
15/05/2024



② Rt. Hon. Speaker
recommended for approval for
tabling.
Eg
15/05/2024

REPUBLIC OF KENYA

THIRTEENTH PARLIAMENT - THIRD SESSION

THE SENATE

STANDING COMMITTEE ON FINANCE AND BUDGET

REPORT ON THE PUBLIC FINANCE MANAGEMENT
(AMENDMENT) BILL, 2023 (SENATE BILLS NO. 40 OF 2023)

Clerk's Chambers,
Parliament Buildings,
NAIROBI.

16/05/2024
Sen. Bon Khalwale on behalf of chair
Finance & Budget
Ms. Kiara
May 2024

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LIST OF ABBREVIATIONS/ ACRONYMS

COB	Controller of Budget
COG	Council of Governors
CRA	Commission on Revenue Allocation
ICRMS	Integrated County Revenue Management System
IGRA	Intergovernmental Relations Act
IGRA	Intergovernmental Relations Act
KRA	Kenya Revenue Authority
OAG	Office of Auditor General
OSR	Own Source Revenue
PFM	Public Finance Management

PREFACE

ESTABLISHMENT AND MANDATE OF THE COMMITTEE

Article 124 (1) of the Constitution of Kenya provides that each House of Parliament may establish committees and shall make Standing Orders for the orderly conduct of its proceedings, including the proceedings of its committees.

Parliamentary committees consider policy issues, scrutinize the workings and expenditures of the national and county governments, and examine proposals for legislation. The end result of any process in Committees is a report, which is tabled in the House for consideration.

The Senate Standing Committee on Finance and Budget is established under section 8(1) of the Public Finance Management (PFM) Act, 2012 and standing order 228 of the Senate Standing Orders and is mandated to-

- a) investigate, inquire into, and report on all matters relating to coordination, control, and monitoring of the county budgets and examine -
 - (i) the Budget Policy Statement presented to the Senate;
 - (ii) the report on the budget allocated to constitutional Commissions and independent offices;
 - (iii) the Division of Revenue Bill, the County Allocation of Revenue Bill, the County Governments Additional Allocations Bill, and the cash disbursement schedules for county governments;
 - (iv) all matters related to resolutions and Bills for appropriations, the share of national revenue amongst the counties, matters concerning the national budget, including public finance and monetary policies and public debt, planning, and development policy; and
- b) Pursuant to Article 228(6) of the Constitution, to examine the report of the Controller of Budget on the implementation of the budgets of county governments.

MEMBERSHIP OF THE COMMITTEE

Following the constitution of the 'Standing Committees' of the Senate of the Thirteenth (13th) Parliament on Thursday, 13th October, 2022, the Senate Standing Committee on Finance and Budget as currently constituted comprises the following Members-

- | | | |
|---|---|------------------|
| 1) Sen. (Capt.) Ali Ibrahim Roba, EGH, MP | - | Chairperson |
| 2) Sen. Maureen Tabitha Mutinda, MP | - | Vice-Chairperson |
| 3) Sen. (Dr.) Boni Khalwale, CBS, MP | - | Member |
| 4) Sen. Joyce Chepkoech Korir, MP | - | Member |
| 5) Sen. Tabitha Karanja Keroche, MGH, MP | - | Member |
| 6) Sen. Mohamed Faki Mwinyihaji, CBS, MP | - | Member |
| 7) Sen. Richard Momoima Onyonka, MP | - | Member |
| 8) Sen. Shakila Abdalla Mohamed, MP | - | Member |
| 9) Sen. Eddy Gicheru Oketch, MP | - | Member |

CHAIRPERSON'S FOREWORD

PUBLIC FINANCE MANAGEMENT (AMENDMENT) BILL, SENATE BILLS NO. 40 OF 2023

The Public Finance Management (Amendment) Bill, Senate Bill No. 40 of 2023 was published in the Kenya Gazette Supplement No. 160 of 2023. It was read a First Time in the Senate on 17th October, 2023 and committed to the Senate Standing Committee on Finance and Budget for consideration and to facilitate public participation.

The principal object of this Bill is to amend the Public Finance Management Act, Cap 412A to require county governments to develop and implement a county revenue collection system. This will boost revenue collection by the county governments and ensure counties realize their revenue targets. Further, the Bill proposes to amend the Act to provide for the process of funding for functions that have been transferred from one level of government to another under Article 187 of the Constitution.

The Bill proposes to insert a new section 160A requiring each county treasury, in consultation with the National Treasury and KRA, to put in place a county revenue collection system. This system shall respect the distinctiveness of the two levels of government, be secure, effective, efficient and transparent. Additionally, the proposed new section 160B requires the county treasury to report to the county assembly on the status of county revenue collection and performance. This report shall also be submitted to the Senate, the National Treasury and the Commission on Revenue Allocation.

The proposed new sections 191F and 191G provide for costing and funding where a function has been transferred from one level of government to another. This is to ensure adequate funding of the transferred functions and accountability.

Pursuant to Article 118 of the Constitution and standing order 145(5) of the Senate standing orders, the Committee invited members of the public to submit views on the Bill. An advert was published in the Daily Nation and Standard Newspapers on 20th October 2023. Further,

the Committee held consultative meetings with key stakeholders. The Committee received

submissions from the following stakeholders-

- a) The National Treasury and Economic planning;
- b) The Council of Governors (CoG); and
- c) The Commission on Revenue Allocation.

Committee Observations

Having considered the Bill and submissions from the stakeholders, the Committee made several observations, including-

- a) That CoB reports on county governments budget implementation review indicate that counties have consistently missed their own source revenue targets which have led to accumulation of pending bills, stalled projects, failure to implement planned activities due to imbalanced budgets
- b) The National Policy to Support Enhancement of County Own Source Revenue requires counties to adopt an integrated county revenue management system to promote revenue collection, transparency, accountability and seal revenue leakages:
- c) A Multi-Agency Taskforce is in the process of developing an Integrated County Revenue Management System (ICRMS) to standardize revenue collection system in the forty-seven counties. Implementation of ICRMS will help curb pilferage in collection of county Own Source Revenue.
- d) Whereas the Intergovernmental Relations Act provides for the principles of transfer of functions, agreements on transfer or delegation, criteria for transfer and public participation it does not provide for modalities relating to funding.

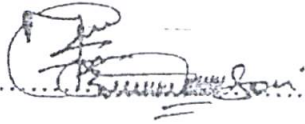
Having considered the Stakeholders submissions and the Bill, the Committee recommends that the Senate approves the Bill with amendments as annexed in this report.

Acknowledgement

I take this opportunity to commend the Members of the Committee for their devotion and commitment to duty, which made the consideration of the Public Finance Management (Amendment) Bill, 2023 (Senate Bills No. 40 of 2023) successful.

I also thank the offices of the Speaker and the Clerk of the Senate for the support extended to the Committee in undertaking this important assignment.



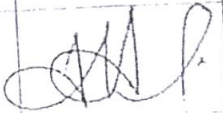
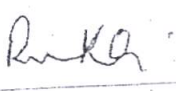
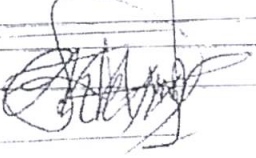
It is now my pleasant duty, pursuant to standing orders 148(1) and 223(6) of the Senate standing orders, to present the report of the Standing Committee on Finance and Budget to the Senate on the Public Finance Management (Amendment) Bill, 2023 (Senate Bills No. 40 of 2023).

Signature..........Date..02.05.24.....

SEN. (CAPT.) ALI IBRAHIM ROBA, EGH, MP,
CHAIRPERSON,
STANDING COMMITTEE ON FINANCE AND BUDGET

**ADOPTION OF THE REPORT ON THE PUBLIC FINANCE
MANAGEMENT (AMENDMENT) BILL, SENATE BILLS NO. 40 OF 2023.**

We, the undersigned Members of the Senate Standing Committee on Finance and Budget, do hereby append our signatures to adopt this Report-

	Name	Designation	Signature
1.	Sen. Capt. Ali Ibrahim Roba, EGH, MP	Chairperson	
2.	Sen. Maureen Tabitha Mutinda, MP	Vice-Chairperson	
3.	Sen. (Dr.) Boni Khalwale, CBS, MP	Member	
4.	Sen. Tabitha Karanja Keroche, MGH, MP	Member	
5.	Sen. Joyce Chepkoech Korir, MP	Member	
6.	Sen. Mohamed Faki Mwinyihaji, CBS, MP	Member	
7.	Sen. Richard Momoima Onyonka, MP	Member	
8.	Sen. Shakila Abdalla Mohamed, MP	Member	
9.	Sen. Eddy Gicheru Oketch, MP	Member	

CHAPTER ONE: OVERVIEW OF THE BILL

1.1 Background

1. The Public Finance Management (Amendment) Bill, Senate Bills No. 40 of 2023 is sponsored by Sen. Hamida Kibwana, MP.
2. The Bill was published on 1st September, 2023 and was read a First Time in the Senate on the 17th October, 2023 and committed to the Senate Standing Committee on Finance and Budget for consideration and to facilitate public participation.

1.2 Objects of the Bill

3. The Bill seeks to amend the Public Finance Management Act, Cap 412A to require county governments to develop and implement a county revenue collection system.
4. Further, the Bill proposes to amend the Public Finance Management Act to provide for the process of funding for functions that have been transferred from one level of government to another under Article 187 of the Constitution.
5. The Bill proposes to insert a new section 160A requiring each county treasury, in consultation with the National Treasury and KRA, to put in place a county revenue collection system. This system shall respect the distinctiveness of the two levels of government, be secure, effective, efficient and transparent.
6. The proposed new section 160B requires the county treasury to report to the county assembly on the status of county revenue collection and performance and submit copies of the reports to the Senate, the National Treasury and the Commission on Revenue Allocation.
7. The proposed new sections 191F and 191G provide for costing and funding where a function has been transferred from one level of government to another. This is to ensure adequate funding of the transferred functions and accountability.

1.3 Overview of the Bill

8. The Bill proposes the following amendments-

a) Clause 2 of the Bill proposes the insertion of new sections 160A and 160B to require a County Treasury, in consultation with the National Treasury and the Kenya Revenue Authority to design, develop and implement a county revenue collection system within one year of the coming into force of the proposed law.

The Bill proposes that system shall have certain features including transparency, effectiveness and verifiability. The Bill further proposes to obligate a county treasury to prepare a report on the financial and non-financial performance of the system

b) Clause 3 proposes to amend the Act by inserting new sections 191F and 191G to provide a framework for determining the cost of a transferred function and the process of appropriation of adequate funds for this function. In the event that a function is being transferred from the national government to a county government, the Cabinet Secretary shall determine the cost of the transferred function, and the National Assembly shall appropriate money for this transferred function and these funds shall thereafter be transferred to the respective county revenue fund.

In the event that a function is transferred from a county government to the national government the respective county executive shall determine the cost of the transferred function for purposes of county assembly appropriating such monies for implementation of this function. Thereafter, these funds shall be transferred to the national government.

~~In both these instances, a report prepared by the Auditor General on the financial and non-financial performance of either a county government or the national government, as the case may be, in the discharge of a transferred function shall be submitted to the National Assembly, the Senate and the respective county assembly.~~

1.4 Implications of the Bill

9. The Bill envisions that the implementation of a county revenue collection system will increase revenue collection, mitigate revenue leakages, promote accountability and service delivery.
10. The Bill will provide for the process of funding for transferred functions from one level of government to another under Article 187(2)(a) of the Constitution.

CHAPTER TWO: SUBMISSIONS BY STAKEHOLDERS

11. This Chapter entails a summary of submissions received from the following stakeholders -

- a) The National Treasury and economic Planning;
- b) The Commission on Revenue Allocation (CRA);
- c) The Council of Governors (CoG);

2.1 The National Treasury and Economic Planning

12. On the proposal to insert new sections 191F and 191G to provide for the costing and funding of transferred, the National treasury submitted as follows;

- a) That Article 186 and the Fourth Schedule of the Constitution of Kenya, provide for the respective functions of the national government and county governments. The Article also provides for concurrent jurisdiction of both levels of government where a function or power is conferred on more than one level of government. The Article makes provision for retention by the national government of a function or power not assigned by the Constitution or national legislation to a county.
- b) Further, Article 187 of the Constitution, provides for the transfer of functions between the two levels of governments while Article 189 provides for cooperation between and among governments.
- c) The Intergovernmental Relations Act Cap 265F, that operationalizes the provisions of Articles 187 and 189 of the Constitution. Part III of the Act provides for matters pertaining to transfer of functions under Article 187.
- d) There is no specific provision either in the IGRA or Public Finance Management Act, CAP 412 to provide for-
 - i) framework for the financial management of transferred functions between the two levels of governments;
 - ii) framework for financial management of cooperation between national and a county government or among county governments;

(iii) guiding policies and procedures for cooperation between the two levels and among county governments;

(iv) administrative structures and roles in a cooperation;

(v) legal instrument for use in effecting a cooperation;

(vi) planning, budgeting, budget execution, accounting & reporting;

and

(vii) Oversight for transferred functions and cooperation envisaged in

Article 187 and 189 of the Constitution, respectively.

(c) That the Bill does not provide for the above stated gaps.

(d) That in an effort to provide for full operationalization of Articles 187 and 189 of the Constitution, the National Treasury had developed a

comprehensive draft PFM (Amendment) Bill to address public finance

management in case of a transfer of function between two levels of

governments and amongst county governments. The National Treasury

will fast track finalization of the Bill for submission to Cabinet and

subsequently to Parliament for consideration and approval

(g) The National Treasury therefore requested the Senate to consider

withdrawing the proposed amendment, Bill.

13. The proposal to amend PFM Act to insert sections 160A and 160B is in

contravention of section 12(1) (c) of the PFM Act, 2012 that obligates the National

Treasury to design and prescribe efficient financial management system for national

and county governments.

14. Further, sections 163-166 of the PFM Act sufficiently provide for financial

reporting including the submission of revenue reports by county governments and

their entities. The proposed amendment will therefore duplicate the above existing

PFM provisions and create confusion in the reporting requirements sufficiently

provided for under the law. Furthermore, it is not clear what value unaudited reports

to the Senate would add given that the Senate receives quarterly reports from the

Office of the Controller of Budget as well as auditors reports that are more comprehensive and hence have the required information.

15. That the proposal to insert new sections 160A & 160B do not therefore find merit in light of the above.
16. In line with the National Policy to Support Enhancement of County Own Source Revenue, and in its fulfillment of its mandate, the National Treasury through a Multi-Agency Taskforce is in the advanced stages of developing an Integrated County Revenue Management System for use by all counties. Once finalized, the system will provide uniformity among county governments in the administration, collection and management of their revenues.
17. The National Treasury undertakes to fast-track the above process of recommending a system for use by the counties as envisaged in the PFM Act. The system once fully developed will address the issues that the Bill seeks to cure through the proposed amendment to section 160 of the PFM Act.

2.2 The Commission on Revenue Allocation

18. CRA recommended that clause 2 of the Bill be amended in the proposed new section 160A (1) be amended-
 - i) to provide that each County Treasury may consult the National Treasury and the Kenya Revenue Authority in designing, developing and implementation of a county revenue collection system. This is because the use of the word "shall" make it mandatory and leans on unconstitutionality.
 - ii) to add the CRA as part of the entities to be consulted in development of the revenue collection system.
 - iii) to provide that a county may consult in replacement of the revenue collection system.
 - iv) Alternatively, delete the proposed new section and substitute with a provision establishing an integrated county revenue system. In this respect, a multi-agency Committee be established to develop the system to ensure uniformity.

19. CRA recommended that the proposed new section 160 B regarding the report on county revenue collection system be amended by deleting the provision and amending section 158 of PFM Act, to provide that county treasury shall submit quarterly statement and report on performance of revenue collection system to county assemblies and the Senate. This is to avoid duplication of section 158 and 166 of PFM Act. Further, that CRA should be included to the list of the recipients of the quarterly statements and reports.
20. Alternatively, insert 160B (4) to provide that a county treasury shall prepare and submit a quarterly report on the level of adoption and implementation of Integrated Revenue Management System and the revenue streams on boarded to the system to the respective county assemblies, CRA, Senate and National Treasury. This alternative applies in the event the reporting is on implementation of a new system.
21. Proposed new section 191F (1) on functions transferred to National Government be amended to provide that the Cabinet Secretary shall determine the cost of the transferred function in consultation with the respective county government. This is to ensure transparency and accountability and to alleviate bias.
22. Under clause 3 in the marginal notes to the proposed new sections 191F and 191G be interchanged.
23. CRA proposed clause 3 (the proposed new 191G (4), the phrase "to the Senate" be substituted with the phrase "to Parliament" so as to include the National Assembly which has an oversight responsibility to the National government and should therefore receive copies of the report when a county government has transferred function to the national government.

2.3 The Council of Governors

24. COG appeared before the Committee and submitted as follows;
 - a) That the council appreciates the principal object of the bill to anchor county governments' collection systems into law and further to provide for the process

- of funding of the functions that have been transferred from one level of Government to another under Article 187 of the Constitution.
- b) COG noted that a significant number of counties are already implementing revenue collection systems that ought to be recognized by this law as public resources have been expended.
 - c) The Presidential Directive given on 7th February, 2019 required counties to have an ICRMS to eliminate unnecessary cost duplication in procurement of county revenue collection system. As a result, a multi-agency task force was established and a report of the taskforce is pending implementation.
 - d) ICRMS does not conform to the distinctness of county governments as required by the Constitution and that the Senate should be alive to this matter and consider legislating accordingly to protect the interests of the county governments.
 - e) The proposed new section 160A(1) be amended to eliminate the mandatory requirement of a county treasury to consult the National Treasury and KRA in designing, developing and implementation of the county revenue collection system. This is because there is need to respect the distinctiveness of the two levels of government as stipulated in Article 6(2) of the Constitution.
 - f) In addition, a new provision be inserted immediately after 160A (1) to provide that a county treasury may consult the National Treasury, KRA or any other authority in designing and developing of the system. This is to ensure that the technical assistance or expertise sought by counties is not limited to only two institutions. There are other institutions such as the CRA that could be instrumental in the process of the designing and developing of the system.
 - g) Proposed new section 160B(2) be amended to provide that a county treasury shall submit copies of the quarterly statement and report on county revenue collection system to the OCOB and CRA. This is because financial reporting to the National Treasury is provided for in the PFM Act, and Senate receives reports on implementation of county budgets from CoB. The proposal for inclusion of CRA to receive the reports is based on Article 216 of the

Constitution which gives the CRA the function of making recommendations seeking to enhance the revenue sources of the national and county governments.

- h) Introduce a provision on transition. This is because county governments are already implementing various revenue collection systems with resources having been committed and spent thus far. Therefore, to prevent loss of public resources from procurement of a new system occasioned by this amendment, there is need for recognition of existing systems.

CHAPTER THREE: COMMITTEE OBSERVATIONS AND RECOMMENDATIONS

Observations

25. The Committee made the following observations-

- a) That the Controller of Budget (CoB) reports on county governments budget implementation review indicate that counties have consistently missed their own source revenue targets which have led to accumulation of pending bills, stalled projects, failure to implement planned activities due to imbalanced budgets
- b) The National Policy to Support Enhancement of County Own Source Revenue requires counties to adopt an integrated county revenue management system to promote revenue collection, transparency, accountability and seal revenue leakages;
- c) Counties are operating different revenue collection systems which increases cost and does not promote uniformity and accountability
- d) A Multi-Agency Taskforce is in the process of developing an ICRMS to standardize revenue collection system in the forty-seven counties. Implementation of ICRMS will help curb pilferage in collection of county Own Source Revenue.
- e) Whereas the IGRA provides for the principles of transfer of functions, agreements on transfer or delegation, criteria for transfer and public participation it does not provide for modalities relating to funding.
- f) Following the transfer of functions from Nairobi City County to the national government in 2020, the County Allocation of Revenue Act in every respective financial year thereafter has included provisions relating to costing and funding of functions transferred from a county government to the national government but not a transfer from national government to a county government. There is a lacunae in the law to give effect to the provisions of Article 187(2)(a) of the Constitution which provides that "if a function or power is transferred from a government at one level to a government at the other level arrangements shall be put in in place to ensure that the resources necessary for the performance of the function or exercise of the power *are transferred*".

Recommendations

26. Having considered the Stakeholders submissions and the Bill, the Committee recommends that the Senate approves the Bill with the following amendments-

- a) That clause 2 of the Bill, in the proposed new section 160A, be amended to provide for -
 - (i) the establishment of a Revenue Collection System Committee. This Committee will be mandated to facilitate the design, development and coordination of implementation of an Integrated County Revenue Management System (ICRMS).
 - (ii) that the aforementioned Committee shall comprise representatives of the National Treasury, Kenya Revenue Authority, Commission on Revenue Allocation, Council of Governors and State Department for Devolution.
 - (iii) the timeline within which the Committee shall ensure the system is available for adoption by the counties.
 - (iv) the timeline within which the county governments should adopt or transition to the ICRMS.
- b) That clause 2 of the Bill, in the proposed new section 160B, be amended to provide that-
 - i) each county treasury shall prepare and submit a quarterly report on the status of the adoption and implementation of the ICRMS.
 - ii) the report prepared above shall be submitted to the respective county assembly, the Senate, Commission on Revenue Allocation and the Controller of Budget.
- c) That clause 3 of the Bill, in the proposed new section 191(1), be amended to provide that in the event a function is transferred from the national government to a county government, the Cabinet Secretary for the National Treasury shall, in consultation with the respective county government, determine the cost of the function.

d) That clause 3 of the Bill, in the proposed new section 191G(6), be amended to provide that the Auditor- General's report on Special audit, on the financial and non-financial performance of an entity to which a county government function is transferred to, shall be submitted to Parliament and respective county assembly.

Appendices

Committee Minutes

Proposed Committee Stage amendments

Stakeholders' submissions

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