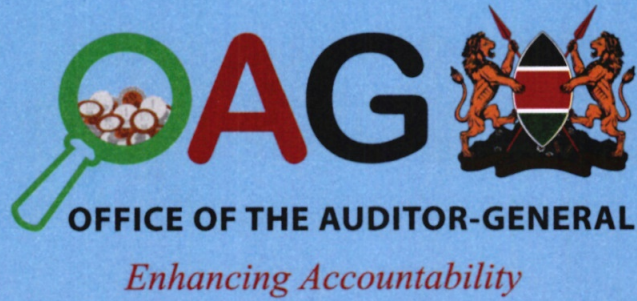


REPUBLIC OF KENYA



**REPORT**

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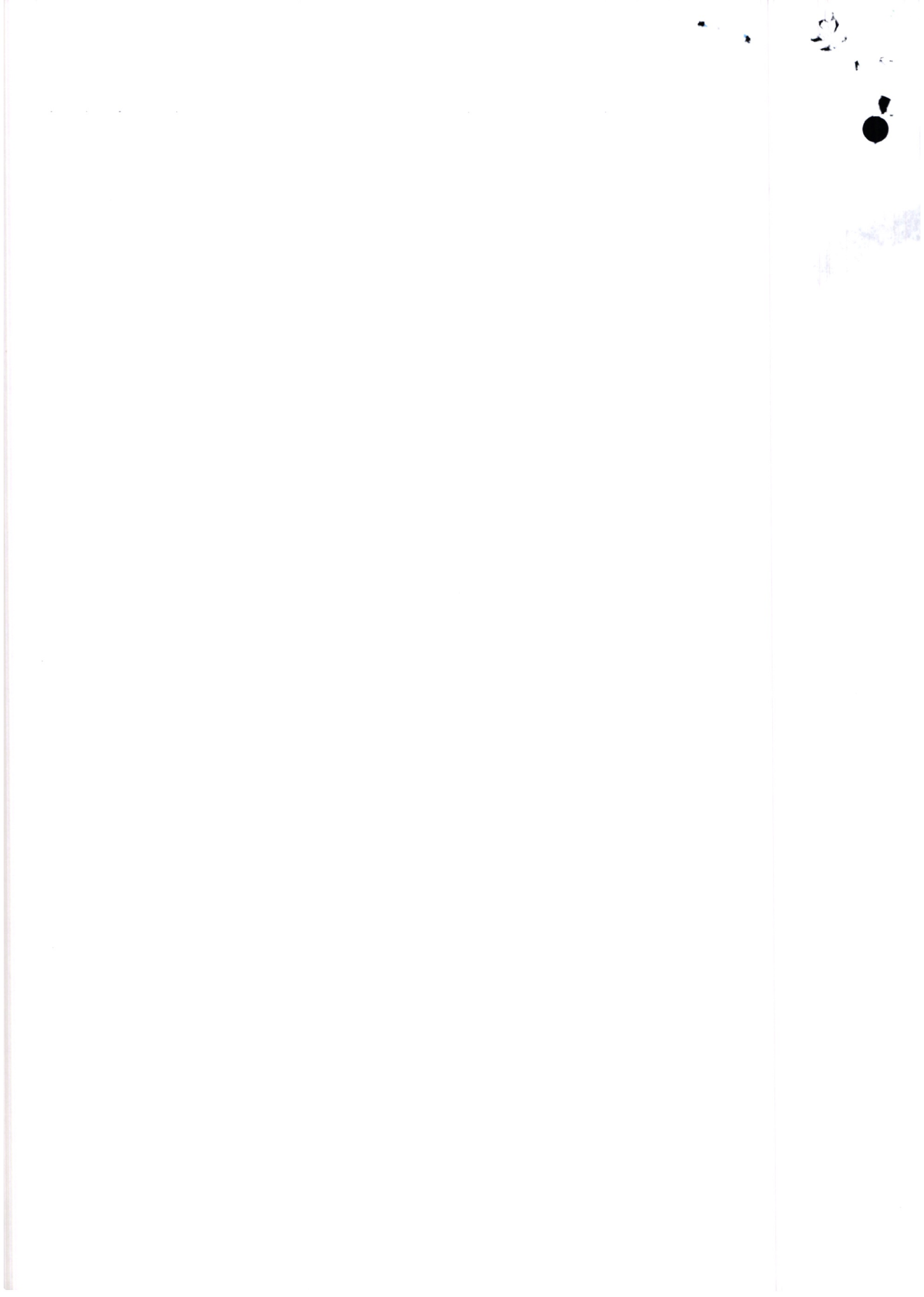
**THE AUDITOR-GENERAL**

**ON**

**KYUSO SUB-COUNTY HOSPITAL  
LEVEL 4**

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

**COUNTY GOVERNMENT OF KITUI**



25 JUL 2023

RECEIVED



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**KYUSO SUB-COUNTY HOSPITAL  
(KITUI COUNTY GOVERNMENT)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

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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**

Kyuso Hospital is a sub-county hospital established under gazette notice number xx and is domiciled in Kitui County under the Health Department. The hospital is governed by a Board of Management.

**(b) Principal Activities**

The principal activity of the hospital is to provide health services to the people of Kitui and Government of Kenya as a whole. The vision is to have a community with healthy residents that embrace preventive healthcare and have access to affordable and equitable healthcare services. The mission of the hospital is providing accessible, affordable quality healthcare services to all through strengthening health care systems, scaling up health interventions, partnership and innovation and empowering communities to foster sustainable social and economic growth.

**(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

**(d) Fiduciary Management**

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

No.	Designation	Name
1.	Chief Officer Finance	-Dr. Justus Kalii
2.	CECM Finance	-Ben Katungi
3.	Chief Officer Health	-Kioko Kiilu
4.	CECM Health	-Winnie Kitetu
5.	Medical Superintendent	-Dr. Stephen Kioli

**(e) Fiduciary Oversight Arrangements**

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

**(f) Entity Headquarters**

P.O. Box 13-90401  
KYUSO  
KITUI, KENYA

**(g) Entity Contacts**

Telephone: (+254 113304383  
E-mail: kyusomedsupt@yahoo.com  
Website: www.kitui.go.ke

**(h) Entity Bankers**

Commercial Banks (*Kenya Commercial Bank*)

**(i) Independent Auditors**

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

**(j) Principal Legal Adviser**

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

**(k) County Attorney**

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

## II. The Board of Management

Ref	Directors	Details
1.	Mark Muthusi	Chaiperson
2.	Stephen Matei	Sub County Administrator
3.	Josphine Arron Kimontho	Representative, Business Community
4.	Aphia Kavemba Ndoo	Representative, Professional Groups
5.	Nelly Mwalale Makasa	Representative, Active Women Groups
6.	Bishop Philip Mbia	Representative, Dominant Faith Based Organizations (FBOs)
7.	Peter Keyonya Musya	Representative, Youth through National Youth Council (NYC)
8.	Mwandikwa Kituo	Representative, People living with Disability (PLWDs)
9.	Dr. Stephen Kioli	Medical Superintendent
10.	Dr. Stephen Kioli	Hospital Secretary

### **III. Management Team**

<b>Ref</b>	<b>Management</b>	<b>Details</b>
1.	Dr. Stephen Kioli	Medical Superintendent
2.	CPA Denis Kimanzi	Accountant
3.	Laban Mumangi	Administrative Officer
4.	Joseph Mutui	Nursing Officer In charge
5.	Francic Saku	Clinical Officer

**IV. Chairman's Statement**

**V. Report of The Chief Executive Officer**

**VI. Statement Of Performance Against Predetermined Objectives**

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

*KYUSO SUB-COUNTY HOSPITAL* has *X* strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 0- FY 0. These strategic pillars/ themes/ issues are as follows;

Pillar /theme/issue 1:

Pillar/theme/issue 2:

*KYUSO SUB-COUNTY HOSPITAL* develops its annual work plans based on the above *X* pillars/Themes/Issues. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The *KYUSO SUB-COUNTY HOSPITAL* achieved its performance targets set for the FY 2021/2022 period for its 0 strategic pillars, as indicated in the diagram below:

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

## **VII. Corporate Governance Statement**

## **VIII. Management Discussion and Analysis**

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

### **Clinical/operational performance**

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

### **Financial performance that includes**

- revenue sources,
- utilisation of funds etc

## **IX. Environmental And Sustainability Reporting**

**Two-to-three pages)**

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

### ***i) Sustainability strategy and profile***

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

### ***ii) Environmental performance***

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

### ***iii) Employee welfare***

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

### ***iv) Market place practices-***

*The organisation should outline its efforts to:*

#### ***a) Responsible competition practice.***

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

#### ***b) Responsible Supply chain and supplier relations***

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

#### ***c) Responsible marketing and advertisement***

*Outline efforts to maintain ethical marketing practices.*

#### ***d) Product stewardship***

*Outline efforts to safeguard consumer rights and interests.*

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

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

## **X. Report of The Board of Management**

The Board members submit their report together with the Audited Financial Statements for the year ended June 30, 2022, which show the state of the Kyuso Sub-County Hospital affairs.

### **Principal activities**

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

### **Results**

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

### **Board of Management**

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

### **Auditors**

The Auditor General is responsible for the statutory audit of Kyuso sub-County Hospital in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 or XYZ Certified Public Accountants were nominated by the Auditor General to carry out the audit of Kyuso Sub-County Hospital for the year/period ended June 30<sup>th</sup> June 2022 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

Mark Muthusi  
Chairman of the Board

## **Statement of Board of Management's Responsibilities**

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

The Board of Managements responsible for the preparation and presentation of the Hospital's financial statements, which give a true and fair view of the state of affairs of the Hospital for and as at the end of the financial year (period) ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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 Hospital; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

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

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


### **Approval of the financial statements**

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

.....

**Mark Muthusi**  
**Chairperson**  
**Board of Management**

.....

  
**Dr. Stephen Kioli**  
**Accounting Officer**  
**Kyuso Level IV Hospital**

**XI. Report of the Independent Auditor**

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

Description	Notes	2021/22 Kshs	2020/21 Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from the County Government	6	6,121,924.95	0
In-kind contributions from the County Government	7	0	0
Grants from donors and development partners	8	0	0
Transfers from other Government entities	9	0	0
Public contributions and donations	10	0	0
		<b>6,121,924.95</b>	<b>0</b>
<b>Revenue from exchange transactions</b>			
Rendering of services- Medical Service Income	11	3,916,386.00	0
Revenue from rent of facilities	12	0	0
Finance /Interest Income	13	0	0
Other income	14	0	0
		<b>3,916,386.00</b>	<b>0</b>
<b>Total Revenue</b>		<b>10,038,310.95</b>	<b>0</b>
<b>Expenses</b>			
Medical/Clinical costs	15	870,350	0
Employee costs	16	1,449,090.00	0
Board of Management Expenses	17	0	0
Depreciation and amortization expense	18	0	0
Repairs and maintenance	19	820,750.00	0
Grants and subsidies	20	0	0
General expenses	21	3,266,502.00	0
Finance costs	22(a)	0	0
Transfers to the County Government	22(b)	3,916,386.00	
<b>Total expenses</b>		<b>10,323,078.00</b>	<b>0</b>
<b>Other gains/(losses)</b>			
Gain on disposal of non-Current assets	23	0	0

# REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



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

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

### **PREAMBLE**

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

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

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Kyuso Sub-County Hospital Level 4 set out on pages 1 to 49, which comprise of the statement of financial position as

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*Report of the Auditor-General on Kyuso Sub-County Hospital Level 4 for the year ended 30 June, 2022 - County Government of Kitui*

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kyuso Level 4 Hospital as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the County Government Act, 2012 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Accuracy of the Financial Statements**

The statement of financial position reflects total assets and total net assets and liabilities balances of Kshs.23,352. However, the statement does not reflect any balances in respect of current liabilities and non-current liabilities and therefore the origin of the total net assets and liabilities balance could not be confirmed.

Further, the statement does not include the accumulated deficit amount of Kshs.284,767 as disclosed in the statement of financial performance and the statement of changes in net assets.

In addition, the Notes to the financial statements were not adequately documented as per the Public Sector Accounting Standard Board recommended template.

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

#### **2. Undisclosed Trade and Other Payables**

The statement of financial position reflects Nil balance in respect of trade and other payables, as disclosed in Note 34 to the financial statements. However, available information revealed that the Hospital had trade payables during the year which had been sent to the County Headquarters for payment. The total amount of the payables was not provided for audit and it was also not disclosed in the form of a Note to the financial statements. Further, Management did not demonstrate measures put in place to ensure that outstanding bills are paid in time to avoid further accumulation and the possibility of payment of interest and/or penalties on the unpaid amounts.

In the circumstances, the accuracy of the trade and other payables Nil balance could not be confirmed.

### **3. Unsupported Revenue from Exchange Transactions**

The statement of financial performance and as disclosed in Note 6 to the financial statements, reflects an amount of Kshs.3,916,386 in respect of revenue from medical services fees. However, the supporting documents for the balance were not provided as the amounts were directly banked in the County Government of Kitui's bank accounts.

In the circumstances, the accuracy of the revenue amount of Kshs.3,916,386 could not be confirmed.

### **4. Undisclosed Property, Plant and Equipment Balance**

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

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

### **5. Presentation and Disclosures in the Financial Statements**

Review of the financial statements of the Hospital revealed the following errors and omissions: -

- i. The Board of Management and Management Team sections did not contain the Directors' and key Management's passport-size photos and key profession and/or academic qualifications.
- ii. Further, Chairman's statement and the report of the Chief Executive Officer were not included.
- iii. In addition, the Statement of Performance Against Predetermined Objectives was not complete and therefore did not include important information about the Hospital.
- iv. The Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, report of the Board of Management and the statement of Board of Management's responsibilities sections were not updated and had just been copied from the template.
- v. The financial statements were not fully signed by the Chairman of the Board and the Medical Superintendent.

In the circumstances, the financial statements for the year ended 30 June, 2022 do not conform to the format prescribed by the Public Sector Accounting Standard Board (PSASB).

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kyuso Sub-County Hospital Level 4 -

County Government of Kitui 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 Requirements in Universal Health Care**

The statement of financial performance and as disclosed in Note 16 to the financial statements reflect employee costs of Kshs.1,449,090. Review of the records in the facility and analysis of healthcare staffing, interviews and physical verifications of medical equipment's available at the facility revealed that the facility did not have the required staff as per Kenya Quality Model for Health, 2018. Further, the facility does not offer all services that are required to be offered by a Level 4 Hospital including radiology, renal dialysis, mortuary and autopsy services, Caesarean sections and surgical operations, and advanced life support and the facility's theatre was not functional as a result the health equipment in the theatre were not being utilized.

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

#### **2. Unregistered Pharmacy, Inadequate Inventories Storage and Lack of Valuation for Expired Drugs**

Physical verification of the Hospital storage rooms for pharmaceutical and non-pharmaceutical products revealed that the Hospital does not have adequate storage space and medical products. Further, expired drugs of an undetermined value at the facility could not be confirmed as they were not valued by the Hospital's Management. In addition, the facility's pharmacy was not registered with the Pharmacy and Poisons Board (PPB) as required by Section 6 (1) of the Pharmacy and Poisons Act, Cap 244 of the Laws of Kenya.

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

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

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

### Conclusion

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

### Basis for Conclusion

#### 1. Lack of Entity Asset Information

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

In the circumstances, the Hospital is in breach of the regulations and internal controls over asset management could not be confirmed

#### 2. Lack of Risk Management Policy

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

In the circumstances, the effectiveness on risk management 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 those Charged with Governance**

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

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

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

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

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

### **Auditor-General's Responsibilities for the Audit**

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

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

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

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

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

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

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

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

**Nairobi**

**09 October, 2023**


**Kyuso Level IV Hospital (Kitui County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2022**

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
Unrealized gain on fair value of investments	24	0	0
Medical services contracts Gains/Losses	25	0	0
Impairment loss	26	0	0
Gain on foreign exchange transactions		0	0
<b>Total other gains/(losses)</b>		<b>0</b>	<b>0</b>
<b>Net Surplus for the year</b>		<b>-284,767.05</b>	<b>0</b>
Attributable to:			
Surplus/(deficit) attributable to minority interest		0	0
Surplus attributable to owners of the controlling entity		0	0
Changes in Bank Balances		<b>-284,767.05</b>	<b>0</b>

The notes set out on pages 24 to 41 form an integral part of the Annual Financial Statements.


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

.....  .....

**Mark Muthusi**  
**Chairman**  
**Board of Management**

.....  .....

*Kiioni Njoe*  
**Head of Finance**  
**ICPAK No: 28941**

.....  .....

**Dr. Stephen Kioli**  
**Medical Superintendent**  
**Kyuso Level IV Hospital**

**XIII. Statement of Financial Position as of 30<sup>th</sup> June 2022**

Description	Notes	2021/22	2020/21
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	27	23,351.95	0
Receivables from exchange transactions	28	0	0
Receivables from non-exchange transactions	29	0	0
Inventories	30	0	0
<b>Total Current Assets</b>		<b>23,351,95</b>	<b>0</b>
<b>Non-current assets</b>			
Property, plant, and equipment	31	0	0
Intangible assets	32	0	0
Investment property	33	0	0
<b>Total Non-current Assets</b>		<b>0</b>	<b>0</b>
<b>Total assets</b>		<b>23,351.95</b>	<b>0</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	34	0	0
Refundable deposits from customers/Patients	35	0	0
Provisions	36	0	0
Finance lease obligation	37	0	0
Current portion of deferred income	38	0	0
Current portion of borrowings	39	0	0
<b>Total Current Liabilities</b>		<b>0</b>	<b>0</b>
<b>Non-current liabilities</b>			
Provisions	36	0	0
Non-Current Finance lease obligation	37	0	0
Non-Current portion of deferred income	38	0	0
Non - Current portion of borrowings	39	0	0
Service concession liability	40	<b>0</b>	<b>0</b>
<b>Total Non-current liabilities</b>		<b>0</b>	<b>0</b>
<b>Total Liabilities</b>		<b>0</b>	<b>0</b>

Description	Notes	2021/22	2020/21
		Kshs	Kshs
<b>Net assets</b>			
Revaluation reserve		0	0
Accumulated surplus/Deficit		0	0
Capital Fund		0	0
		<b>0</b>	<b>0</b>
<b>Total Net Assets and Liabilities</b>		<b>23,351.95</b>	<b>0</b>

The notes set out on pages 24 to 41 form an integral part of the Annual Financial Statements.

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

.....  
**Mark Muthusi**  
**Chairman**  
**Board of Management**

*de*  
 .....  
*Winnie Mac*  
**Head of Finance**  
**ICPAK No: 28941**

.....  
**Dr. Stephen Kioli**  
**Medical Superintendent**  
**Kyuso Level IV Hospital**

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

	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2020	0	0	0	0
Revaluation gain	0	-	-	0
Surplus/(deficit) for the year	-	0	-	0
Capital/Development grants	-	-	0	0
As at June 30, 2021	0	0	0	0
At July 1, 2021	0	0	0	0
Revaluation gain	0	-	-	0
Surplus/(deficit) for the year	-	-284,767.05	-	-284,767.05
Capital/Development grants	-	-	0	0
At June 30, 2022	0	-284,767.05	0	-284,767.05

The notes set out on pages 24 to 41 form an integral part of the Annual Financial Statements.

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

.....  
Mark Muthusi  
Chairman  
Board of Management

*Winnie Mue*  
.....  
Winnie Mue  
Head of Finance  
ICPAK No: 28941

*Dr. Stephen Kioli*  
.....  
Dr. Stephen Kioli  
Medical Superintendent  
Kyuso Level IV Hospital

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

Description	Note	2021/22	2020/21
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the County Government		6,121,924.95	0
Grants from donors and development partners		0	0
Transfers from other Government entities		0	0
Public contributions and donations		0	0
Rendering of services- Medical Service Income		3,916,386.00	0
Revenue from rent of facilities		0	0
Finance / interest income		0	0
Other receipts( <i>specify</i> )		0	0
<b>Total Receipts</b>		<b>10,038,310.95</b>	<b>0</b>
<b>Payments</b>			
Medical/Clinical costs		870,350	0
Employee costs		1,449,090.00	0
Board of Management Expenses		0	0
Repairs and maintenance		0	0
Grants and subsidies		820,750.00	0
General expenses		0	0
Finance costs		3,266,502.00	0
Refunds paid out		0	0
Medical Income swiped and sent to Kitui County Revenue Collection Account		3,916,386.00	
<b>Total Payments</b>		<b>10,323,078.00</b>	<b>0.00</b>
<b>Net cash flows from operating activities</b>	41	<b>-284,767.05</b>	<b>-</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment, & intangible assets		0	0
Proceeds from the sale of property, plant, and equipment		0	0
Acquisition of investments		0	0
<b>Net cashflows from investing activities</b>		<b>0</b>	<b>0</b>
<b>Cashflows from financing activities</b>			
Proceeds from borrowings		0	0
Repayment of borrowings		0	0

**Kyuso Sub-County Hospital (Kitui County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2022**

Description		2021/22	2020/21
	Note	Kshs	Kshs
Capital grants received		0	0
<b>Net cash flows used in financing activities</b>		0	0
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>0</b>	<b>(0)</b>
Cash and cash equivalents at 1 July	27	0	0
<b>Cash and cash equivalents at 30 June 2022</b>	27	<b>-284,767.05</b>	<b>0</b>

The notes set out on pages 24 to 41 form an integral part of the Annual Financial Statements.

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

.....  
**Mark Muthusi**  
**Chairman**  
**Board of Management**

*the*  
.....  
*Winnie Nue*  
**Head of Finance**  
**ICPAK No: 28941**

*[Signature]*  
.....  
**Dr. Stephen Kioli**  
**Medical Superintendent**  
**Kyuso Level IV Hospital**

XVI. 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	
<b>Revenue</b>						
Transfers from the County Government	7,200,000.00	0	7,200,000.00	6,121,924.95	1,078,075.05	85%
Grants from donors and development partners	0	0	0	-	0	%
Transfers from other Government entities	0	0	0	-	0	%
Public contributions and donations	0	0	0	-	0	%
Rendering of services- Medical Service Income	3,916,386.00	0	3,916,386.00	3,916,386.00	0	%
Revenue from rent of facilities	0	0	0	-	0	%
Finance / interest income	0	0	0	-	0	%
Other receipts ( <i>specify</i> )	0	0	0	-	0	%
<b>Total income</b>	<b>11,116,386.00</b>	<b>0.00</b>	<b>11,116,386.00</b>	<b>10,038,310.95</b>	<b>1,078,075.05</b>	<b>90%</b>
<b>Expenses</b>						
Medical/Clinical costs	1,200,000.00	0	1,200,000.00	870,350.00	329,650.00	73%
Employee costs	1,500,000.00	0	1,500,000.00	1,449,090.00	50,910.00	97%
Remuneration of directors	0	0	0	0	0	0%
Repairs and maintenance	850,000.00		850,000.00	820,750.00	29,250.00	97%
Grants and subsidies	0	0	0	0	0	0%
General expenses	3,650,000.00	0	3,650,000.00	3,266,502.00	383,498.00	89%

*Kyuso Sub-County Hospital (Kitui County Government)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2022*

Finance costs	0	0	0	0	0	100%
Medical Service Income swipes to Kitui County Revenue Collection Account	3,916,386.00		3,916,386.00	0	0	0%
Refunds	0	0	0	0	0	0%
TOTAL	<b>11,116,386.00</b>		<b>11,116,386.00</b>	<b>10,323,078.00</b>	<b>793,308.00</b>	93%
<b>Surplus for the period</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>(284,767.05)</b>	<b>284,767.05</b>	0%
<b>Capital expenditure</b>						

The notes set out on pages 24 to 41 form an integral part of the Annual Financial Statements.

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

.....  
**Mark Muthusi**  
**Chairman**  
**Board of Management**

*He*  
 .....  
*Winnie Mee*  
**Head of Finance**  
**ICPAK No: 28941**

*CS*  
 .....  
**Dr. Stephen Kioli**  
**Medical Superintendent**  
**Kyuso Level IV Hospital**

## **XVII. Notes To the Financial Statements**

### **1. General Information**

Kyuso Level IV Hospital entity is established by and derives its authority and accountability from the Health Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to offer medical services.

### **2. Statement Of Compliance And Basis Of Preparation**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *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 0The 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 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 1<sup>st</sup> January 2022 owing to Covid19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1<sup>st</sup> 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><b>IPSAS 41:</b> Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></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"> <li>• 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;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• 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.</li> </ul>
<p><b>IPSAS 42:</b> Social Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></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"> <li>(a) The nature of such social benefits provided by the Entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> </ol>

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

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

**ii. Early adoption of standards**

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

**4. Summary Of Significant Accounting Policies**

**a) Revenue recognition**

**i) Revenue from non-exchange transactions**

**Transfers from other Government entities**

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

*Notes to the Financial Statements (Continued)*

**Revenue from exchange transactions**

**Rendering of services**

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

**Sale of goods**

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

**Interest income**

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

**Dividends**

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

**Rental income**

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

*Notes to the Financial Statements (Continued)*

**b) Budget information**

The original budget for FY 2021/2022 was approved by Board. 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 on the FY 2021/2022 budget following the Board's approval. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 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 0 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, 200.

**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.

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.

**6. Transfers From the County Government**

Description	2021/22	2020/21
	KShs	KShs
<b>Unconditional grants</b>		
Operational grant	6,121,924.95	0
Level 5 grants	0	0
Other grants	0	0
	<b>0</b>	<b>0</b>
<b>Conditional grants</b>		
User fee forgone	0	0
Transforming health services for Universal care project (THUCP)	0	0
DANIDA	0	0
Wards Development grant	0	0
Paediatric block grant	0	0
Administration block grant	0	0
Laboratory grant	0	0
<b>Total government grants and subsidies</b>	<b>6,121,924.95</b>	<b>0</b>

*Notes to the Financial Statements (Continued)*

**6 Transfers from The County Government**

Name of the Entity sending the grant	Amount recognized to Statement of financial performance	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	Total 2021/22
			KShs	KShs	KShs
Kitui County Government	6,121,924.95	0	0	6,121,924.95	6,121,924.95
<b>Total</b>	<b>6,121,924.95</b>	<b>0</b>	<b>0</b>	<b>6,121,924.95</b>	<b>6,121,924.95</b>

**7. In Kind Contributions from The County Government**

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

**8. Grants From Donors and Development Partners**

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

Notes to the Financial Statements (Continued)

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

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

9. Transfers From Other Government Entities

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

10. Public Contributions and Donations

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

*Notes to the Financial Statements (Continued)*

**10 (a) Reconciliations of amortised grants**

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

**11. Rendering of Services-Medical Service Income**

Description	2021/22	2020/21
	KShs	KShs
Pharmaceuticals	0	0
Non-Pharmaceuticals	0	0
Laboratory	0	0
Radiology	0	0
Orthopedic and Trauma Technology	0	0
Theatre	0	0
Accident and Emergency Service	0	0
Anesthesia Service	0	0
Ear Nose and Throat service	0	0
Nutrition service	0	0
Cancer centre service	0	0
Dental services	0	0
Reproductive health	0	0
Paediatrics services	0	0
Farewellhome services	0	0
Other medical services income	0	0
<b>Total revenue from the rendering of services</b>	<b>0</b>	<b>0</b>

Notes to the Financial Statements (Continued)

12. Revenue From Rent of Facilities

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

13. Finance /Interest Income

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

14. Other Income

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

*Notes to the Financial Statements (Continued)*

**15. Medical/ Clinical Costs/**

Description	2021/22	2020/21
	KShs	KShs
Dental costs/ materials	0	
Laboratory chemicals and reagents	60,000.00	
P3s and post-mortems	0	
Food and Ration	790,350.00	
Uniform, clothing, and linen	0	
Dressing and Non-Pharmaceuticals	0	
Pharmaceutical supplies	0	
Health information Stationery (Medical records)	0	
Sanitary and cleansing Materials	0	
Purchase of Medical gases	0	
X-Ray/Radiology supplies	20,000.00	
Other medical related clinical costs	0	
<b>Total medical/ clinical costs</b>	<b>870,350.00</b>	

**16. Employee Costs**

Description	2021/22	2020/21
	KShs	KShs
Salaries, wages, and allowances	1,082,190.00	
Contributions to pension schemes		
Nurses Locums	30,000.00	
Staff allowances	236,900.00	
Hospital Airtime(departmental)	100,000.00	
Staff medical expenses and Insurance cover		
Group personal accident insurance and WIBA		
Social contribution		
Other employee costs		
<b>Employee costs</b>	<b>1,449,090.00</b>	

*Notes to the Financial Statements (Continued)*

**17. Board of Management Expenses**

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

**18. Depreciation And Amortization Expense**

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

**19. Repairs And Maintenance**

Description	2021/22	2020/21
	KShs	KShs
Property- Buildings	543,650.00	
Building materials	0	
Medical equipment	0	
Office equipment	0	
Furniture and fittings	0	
Computers and accessories	0	
Motor vehicle expenses	249,100.00	
Plumbing Works	0	
Maintenance of Generator	28,000.00	
<b>Total repairs and maintenance</b>	<b>820,750.00</b>	

*Notes to the Financial Statements (Continued)*

**20. Grants And Subsidies**

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

**21. General Expenses**

Description	2021/22	2020/21
	KShs	KShs
Advertising and publicity expenses		
Catering expenses		
Waste management expenses		
Insecticides and rodenticides (fumigation process)		
Audit fees		
Bank charges	17,985.00	
Conferences and delegations		
Consultancy fees		
Contracted services (cleaning, security and system maintenance)	270,000.00	
Electricity expenses	297,225.00	
Other fuels(fire wood and gas)	390,000.00	
Office running expenses and general expenses	603,500.00	
Travel and accommodation allowance	745,450.00	
Electrical materials		
Licenses and permits		
Courier and postal services		
Printing and stationery		
Hire charges		
Household Appliances	50,000.00	
Fuel Expenses	790,302.00	
Water and sewerage costs	102,040.00	
Skills development levies		
Telephone and mobile phone services		

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Description	2021/22	2020/21
	KShs	KShs
Internet expenses		
Staff training and development		
Subscriptions to professional bodies		
Subscriptions to newspapers periodical, magazines, and gazette notices		
Library books/Materials		
Parking charges		
<b>Total General Expenses</b>	<b>3,266,502.00</b>	

**22. a) Finance Costs**

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

**b) Transfers to County Government**

Description	2021/22	2020/21
	KShs	KShs
Revenue swipe to Kitui County Revenue Collection Account	3,916,386.00	0
<b>Total Swipes</b>	<b>3,916,386.00</b>	<b>0</b>

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

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

**24. Unrealized Gain On Fair Value Investments**

Description	2021/22	2020/21
	KShs	KShs
Investments at fair value	0	0
<b>Total gain</b>	<b>0</b>	<b>0</b>

*Notes to the Financial Statements (Continued)*

**25. Medical Services Contracts Gains /Losses**

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

**26. Impairment Loss**

Description	2021/22	2020/21
	KShs	KShs
Property, plant, and equipment	0	0
Intangible assets	0	0
<b>Total impairment Loss</b>	<b>0</b>	<b>0</b>

**27. Cash And Cash Equivalentents**

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

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
<b>a) Current account</b>			
Kenya Commercial bank	1156755654	23,351.95	0
Equity Bank, etc		0	0
<b>Sub- total</b>		<b>0</b>	<b>0</b>
<b>b) Others</b>			
cash in hand		0	0
<b>Sub- total</b>		<b>0</b>	<b>0</b>
<b>Grand total</b>		<b>23,351.95</b>	<b>0</b>

28. Receivables From Exchange Transactions

Description	2021/22	2020/21
	KShs	KShs
Medical services receivables	0	0
Rent receivables	0	0
Other exchange debtors	0	0
Less: impairment allowance	(0)	(0)
<b>Totalreceivables</b>	<b>0</b>	<b>0</b>

*Notes to the Financial Statements (Continued)*

**29. Receivables From Non-Exchange Transactions**

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

**30. Inventories**

Description	2021/22	2020/21
	KShs	KShs
Pharmaceutical supplies	0	0
Maintenance supplies	0	0
Food supplies	0	0
Linen and clothing supplies	0	0
Cleaning materials supplies	0	0
General supplies	0	0
Less: provision for impairment of stocks	(0)	(0)
<b>Total</b>	<b>0</b>	<b>0</b>

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*Notes to the Financial Statements (Continued)*

**31. Property, Plant and Equipment**

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
	Shs		Shs	Shs	Shs	Shs	Shs	Shs
<b>Cost</b>								
At 1 July 2020	0	0	0	0	0	0	0	0
Additions	0	0	0	0	-	-	0	0
Disposals	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Transfers/adjustments	0	0	(0)	0			0	(0)
<b>At 30<sup>th</sup> June 2021</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
At 1 <sup>st</sup> July 2021	0	0	0	0	0	0	0	0
Additions	0	0	0	0	0	0	0	0
Disposals	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Transfer/adjustments		0		0			(0)	-
<b>At 30<sup>th</sup> June 2022</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Depreciation and impairment</b>								
At 1 July 2020	0	0	0	0	0	0		0
Depreciation for the year	0	0	0	0	0	0		0
Disposals	(0)	(0)	(0)	(0)	(0)	(0)		(0)
Impairment	(0)	(0)	(0)	(0)	(0)	(0)		(0)

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Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
<b>At 30 June 2021</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>0</b>
At July 2021	0	0	0	0	0	0		0
Depreciation	0	0	0	0	0	0		0
Disposals	(0)	(0)	(0)	(0)	(0)	(0)		(0)
Impairment	(0)	(0)	(0)	(0)	(0)	(0)		(0)
Transfer/adjustment		0	-	0	-	-	(0)	(0)
<b>At 30<sup>th</sup> June 2022</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book values</b>								
At 30 <sup>th</sup> June 2021	0	0	0	0	0	0	0	0
At 30 <sup>th</sup> June 2022	0	0	0	0	0	0	0	0

Notes to the Financial Statements (Continued)

32. Intangible Assets-Software

Description	2021/22	2020/21
	KShs	KShs
<b>Cost</b>		
<b>At beginning of the year</b>	0	0
Additions	0	0
Additions-Internal development	0	0
Disposal	(0)	(0)
<b>At end of the year</b>	<b>0</b>	<b>0</b>
<b>Amortization and impairment</b>		
<b>At beginning of the year</b>	0	0
Amortization for the period	0	0
Impairment loss	0	0
<b>At end of the year</b>	<b>0</b>	<b>0</b>
<b>NBV</b>	<b>0</b>	<b>0</b>

33. Investment Property

Description	2021/22	2020/21
	KShs	KShs
<b>At beginning of the year</b>	<b>0</b>	<b>0</b>
Additions	0	0
Fair value gain	0	0
Depreciation ( <i>where investment property is at cost</i> )	(0)	(0)
<b>At end of the year</b>	<b>0</b>	<b>0</b>

34. Trade And Other Payables

Description	2021/22	2020/21
	KShs	KShs
Trade payables	0	0
Employee dues	0	0
Third-party payments ( <i>unremitted payroll deductions</i> )	0	0
Audit fee		
Doctors' fee	0	0
<b>Total trade and other payables</b>	<b>0</b>	<b>0</b>

*Notes to the Financial Statements (Continued)*

**35. Refundable Deposits from Customers/Patients**

Description	2021/22	2020/21
	KShs	KShs
Medical fees paid in advance	0	0
Credit facility deposit	0	0
Rent deposits	0	0
Others ( <i>specify</i> )	0	0
<b>Total deposits</b>	<b>0</b>	<b>0</b>

**36. Provisions**

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
<b>Balance at the beginning of the year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Additional Provisions	0	0	0	0
Provision utilised	(0)	(0)	(0)	(0)
Change due to discount & time value for money	(0)	(0)	(0)	(0)
<b>Total provisions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Current Provisions	0	0	0	0
Non-Current Provisions	0	0	0	0
<b>Total Provisions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**37. Finance Lease Obligation**

Description	2021/22	2020/21
	Kshs	Kshs
Current Lease obligation	0	0
Long term lease obligation	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

Notes to the Financial Statements (Continued)

38. Deferred Income

Description	2021/22	2020/21
	KShs	KShs
Current Portion	0	0
Non-Current Portion	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

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

Description	National government	International funders/ donors	Public contributions and donations	Total
<b>Balance b/f</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Additions during the year	0	0	0	0
Transfers to Capital fund	(0)	(0)	(0)	(0)
Transfers to statement of financial performance	(0)	(0)	(0)	(0)
Other transfers ( <i>Specify</i> )	(0)	(0)	(0)	(0)
<b>Balance C/F</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

39. Borrowings

Description	2021/22	2020/21
	KShs	KShs
<b>Balance at beginning of the period</b>	<b>0</b>	<b>0</b>
External borrowings during the year	0	0
Domestic borrowings during the year	0	0
Repayments of external borrowings during the year	(0)	(0)
Repayments of domestic borrowings during the year	(0)	(0)
<b>Balance at end of the period</b>	<b>0</b>	<b>0</b>

*Notes to the Financial Statements (Continued)*

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

Description	2021/22	2020/21
	KShs	KShs
Current Obligation	0	0
Non-Current Obligation	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**40. Service Concession Arrangements**

Description	2021/22	2020/21
	KShs	KShs
Fair value of service concession assets recognized under PPE	0	0
Accumulated depreciation to date	(0)	0
Net carrying amount	<u>0</u>	<u>0</u>
Service concession liability at beginning of the year	0	0
Service concession revenue recognized	(0)	(0)
Service concession liability at end of the year	<u>0</u>	<u>0</u>

**41. Cash Generated from Operations**

	2021/22	2020/21
	KShs	KShs
<b>Surplus for the year before tax</b>		
<b>Adjusted for:</b>		
Depreciation	0	0
Non-cash grants received	(0)	(0)
Impairment	0	0
Gains and losses on disposal of assets	(0)	(0)
Contribution to provisions	0	0
Contribution to impairment allowance	0	0
<b>Working Capital adjustments</b>		
Increase in inventory	(0)	(0)
Increase in receivables	(0)	(0)
Increase in deferred income	0	0
Increase in payables	0	0
Increase in payments received in advance	0	0
<b>Net cash flow from operating activities</b>	<b>0</b>	<b>0</b>

*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 2022				
Receivables from exchange transactions	0	0	0	0
Receivables from –non-exchange transactions	0	0	0	0
Bank balances	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
At 30 June 2022				
Receivables from exchange transactions	0	0	0	0
Receivables from –non-exchange transactions	0	0	0	0
Bank balances	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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 00

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

**(ii) Liquidity risk management**

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

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

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	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2022</b>				
Trade payables	0	0	0	0
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Deferred income	0	0	0	0
Employee benefit obligation	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>At 30 June 2022</b>				
Trade payables	0	0	0	0
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Deferred income	0	0	0	0
Employee benefit obligation	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

(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
<b>At 30 June 200</b>			
Financial assets (investments, cash, debtors)	0	0	0
Liabilities			
Trade and other payables	0	0	0
Borrowings	0	0	0
Net foreign currency asset/(liability)	<b>0</b>	<b>0</b>	<b>0</b>

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
<b>At 30 June 200</b>			
Financial assets (investments, cash, debtors)	0	0	0
Liabilities			
Trade and other payables	0	0	0
Borrowings	0	0	0
Net foreign currency asset/(liability)	<b>0</b>	<b>0</b>	<b>0</b>

*Notes to the Financial Statements (Continued)*

**Foreign currency sensitivity analysis**

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

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
<b>200</b>			
Euro	10%	0	0
USD	10%	0	0
<b>200</b>			
Euro	10%	0	0
USD	10%	0	0

**Interest rate risk**

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

**Management of interest rate risk**

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

**Sensitivity analysis**

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

*Notes to the Financial Statements (Continued)*

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of financial performance if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs 0 (200: KShs0). A rate increase/decrease of 5% would result in a decrease/increase in surplus of KShs 0 (200 – KShs 0).

**iv) Capital Risk Management**

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

	2021/22	2020/21
	Kshs	Kshs
Revaluation reserve	0	0
Retained earnings	0	0
Capital reserve	0	0
<b>Total funds</b>	0	0
Total borrowings	0	0
Less: cash and bank balances	(0)	(0)
Net debt/ ( <i>excess cash and cash equivalents</i> )	0	0
<b>Gearing</b>	0%	0%

**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 supports the Hospital by giving the unconditional grant through the County Government of Kitui.

*Notes to the Financial Statements (Continued)*

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

Description	2021/22	2020/21
	Kshs	Kshs
<b>Transactions with related parties</b>		
<b>a) Services offered to related parties</b>		
Services to 0	0	0
Sales of services to 0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
<b>b) Grants from the Government</b>		
Grants from County Government	0	0
Grants from the National Government Entities	0	0
Donations in kind	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
<b>c) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for 0 employees	0	0
Payments for goods and services for 0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
<b>d) Key management compensation</b>		
Directors' emoluments	0	0
Compensation to the medical Sup	0	0
Compensation to key management	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

*Notes to the Financial Statements (Continued)*

**44. Segment Information**

The Hospital operates in Mwingi North Sub-County, Kitui County

**45. Contingent Liabilities**

Contingent liabilities	2021/22	2020/21
	Kshs	Kshs
Court case 0 against the company	0	0
Bank guarantees in favour of subsidiary	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**46. Capital Commitments**

Capital Commitments	2021/22	2020/21
	Kshs	Kshs
Authorised For	0	0
Authorised And Contracted For	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**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 Hospital is a Semi- Autonomous County Government Agency under the Ministry of Health. Its ultimate parent is the County Government of Kitui.

**49. Currency**

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

**Progress on Follow Up of Auditor Recommendations**

The summary of issues raised by the external auditor, and management comments that were provided to the auditor as per the letter dated 13<sup>th</sup> July 2023 Ref: KYUSO/FIN/VOL.II (19)