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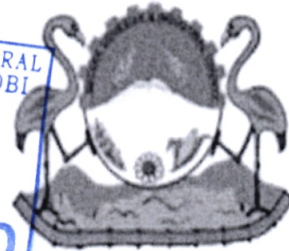
THE AUDITOR-GENERAL

ON

**OLENGURUONE LEVEL 4 SUB-COUNTY
HOSPITAL**

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

COUNTY GOVERNMENT OF NAKURU



OLENGURUONE LEVEL 4 HOSPITAL (NAKURU COUNTY GOVERNMENT)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2022

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

Olenguruone Level 4 Sub-County Hospital (Nakuru County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

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1. Acronyms & Glossary of Terms

CECM	County Executive Committee Member
CME	Continuous Medical Education
CSR	Corporate Social Responsibility
EMR	Electronic Medical Records
Fiduciary Management	Key management personnel who have financial responsibility in the Hospital.
HMC	Hospital Management Board
HMT	Hospital Management Team
IPC	Infection Prevention Control
MED SUP	Medical Superintendent
NHIF	National Health Insurance Fund
OSHA	Occupational Health & Safety Act
PFMA	Public Financial Management Act
PMTCT	Prevention of Mother to Child Transmission
UoN	University of Nairobi

2. Key Hospital Information and Management

(a) Background information

Olenguruone Sub-County Hospital was established in the 1950s initially as a dispensary. It is now a level 4 hospital established under gazette notice number 7619 of 2021 and is domiciled in Nakuru County. The hospital is governed by a Board of Management.

It is located along the Molo – Bomet Road passing across the western Mau Forest. It sits on land that measures approximately 10 ha (40 acres). The catchment population is both rural and semi urban based, with a number of clients served being referred in from the neighbouring public (Level 1-3 Facilities) and private facilities.

(b) Principal Activities

The hospital envisions **A Healthy County** with the **Mission statement:** To provide integrated quality health services for all.

The services offered include:

- ✓ Maternal Child Health
- ✓ Family Planning
- ✓ Radiology (Ultrasound and X-ray)
- ✓ Curative Services (outpatient and inpatient)
- ✓ Rehabilitative Services
- ✓ HIV Care
- ✓ Maternity Services
- ✓ Laboratory Services
- ✓ Mortuary Services

(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/Departmental Heads

(d) Fiduciary Management

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

No.	Designation	Name
1.	Medical Superintendent	Dr. Gilbert Toroitich
2.	Nursing officer in charge	Mr. Kipyegon Korir
3.	Hospital Administrator	Mr. Kibet G. Kiprotich
4.	Pharmacist	Dr. Simon Kigoro
5.	Procurement Officer	Miss Faith Cherotich

(e) Fiduciary Oversight Arrangements

The overall oversight responsibility of the hospital rests with the Hospital Board of Management.

Key Hospital Information and Management (continued)

(f) Department of Health Services

Nakuru County Government
P.O. Box 2060- 20100
Club Road,
Regional Commissioner HQs, Block 'B'
NAKURU, KENYA

(g) Olenguruone Hospital Contacts

Telephone: (+254) 774 938147
E-mail: olenguruonesdhospital@gmail.com
Website: none

(h) Hospital Bank(s)

National Bank,
Molo Branch
P.O. Box: 68 -20160
Molo, Kenya

(i) Independent Auditors

Auditor General
Office of Auditor General
Anniversary Towers, University 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. 2870-20100
Nakuru, Kenya






3. The Board of Management

Ref	Directors	Details
1.		Mr. Richard Kerich with MBA from UON and CPA (K) is the chairman of the hospital board management.
2.		Mr. Andrew Bii is a Senior lecturer at Kenya Medical Training College (KMTTC). He holds a BSc in Medical Education. He is the vice chair to the HMC.
3.		Mr. Livingstone K. Bett is a Manager at Nyayo Tea Zones. He holds a BSc. in Agriculture and Rural Development from Kemu and a member to the board.
4.		Magdaline Chelimo is a member to the board. She is a professional farmer.
5.	Robert Langat	Member
6.	Lee Bett	Member







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7.	 Samwel Ngeno	<p>Samwel Ngeno holds a Diploma in Education (Siriba Teachers College). He also is approved Teachers status II heading Humanities at Olenguruone Secondary School. Currently he is the Principal at Marylearn High School, Olenguruone. Member of the Hospital Board.</p>
8.	Rose Langat	Member
9.	Johnstone Sang	Member
10.		<p>Dr. Gilbert Toroitich is the medical superintendent at Olenguruone Sub County Hospital. He holds a degree in Medicine and Surgery from University of Nairobi. He is the Secretary to the Board</p>

4. Management Team

Ref	Management	Details
1.	 <p>Dr. Gilbert Toroitich (Bachelor of Medicine and Bachelor of Surgery from UoN.</p>	Medical Superintendent
2.	 <p>Dr. Simon Kigoro Bachelor of pharmacy (Kenyatta University) Masters of Clinical Pharmacy (University of Nairobi).</p>	Head of Pharmacy Department
3.	 <p>Dr. Kiprono Gideon (Bachelor of Medicine and Bachelor of Surgery, Egerton University)</p>	Medical Officer
4.	Mr. Kibet Kiprotich	Hospital Administrative Officer
5.	 <p>Mr. Kipyegon Korir Diploma in Nursing from St. Clare; Kaplong School of Nursing, 1999</p>	Nursing Officer in Charge
6.	 <p>Kipsang Lang'at Diploma in Diagnostic Radiography (2002) KMTC Nairobi. HND ultrasound (2023) KMTC Kisumu.</p>	Head of Radiology Dept.

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7.		Nancy Lang'at Diploma in Kenya Registered Community Health Nursing, KMTC Nairobi-1997	Deputy Nursing Officer in Charge
8.		Perpetua Chepkoech Diploma in nutrition and dietetics management from Rift Valley Institute of Science and Technology, 2017.	Head of Nutrition Department
9.		Elizabeth Maritim Diploma in Environmental Health Science from KMTC Nakuru, 2014.	Head of Public Health Department
10.		Risper Kirui Diploma in Clinical Medicine (KMTC Portreitz, 2004); Bachelor in Science- Environmental Health (Mount Kenya University, 2013)	Clinical Officer in Charge
11.		Dickson Kiprotich Diploma in Medical Imaging Sciences (KMTC Manza, 2018)	Member
12.		Benard Yegon KCSE (2011); Computer Applications from Gignet Technologies (2012)	Head of NHIF Department

5. Chairman's Statement

What a pleasure to present the Hospital's 2021/2022 Annual report and Financial Report. Definitely the Hospital Board of Management is proud of the achievements realized to make Olenguruone the best facility in Kuresoi South. Amidst the shortage of staff in most facilities in Nakuru, I am impressed with the commitment of the few staff to give their best possible to the patients. These services include, Inpatient care, Medical Consultations, Mother Child Health, Maternity services, Physiotherapy, Surgical Services, PMTCT services, Laboratory services, Mortuary Services amongst others.

The hospital operations are guided by the existing legal, policy and institutional frameworks to ensure an efficient and effective health service delivery. Olenguruone has continued to experience a number of challenges but this calls for quality improvement of services offered to our clients. We remain focussed in offering the best of services and as a referral centre receiving patients from Keringet to Olposimoru and the remotest of places in Tinnet.

The outpatient workload of 30,000 patients is a testament of the great work we are doing as a facility. However, the bed capacity still remains at 24 forcing some patients to share bed when there is an influx of admissions. When the stalled building which was initially meant to be surgical wards will be completed, it will help ease the congestion seen occasionally.

On behalf of the Board, I would like to register my appreciation to all our stakeholders especially County Government of Nakuru and different partners for their unrelenting support they accord us.

Secondly, I would like to express my gratitude to Olenguruone Sub-County staff, team leaders and the Board, who take much pride in their work, and who exemplify the mission and the vision of Nakuru County each day. We are grateful for the new specialist in obstetrics and gynaecology, Dr.Poriot who will indeed help so many mothers who would have otherwise be referred to seek specialist care elsewhere. This is indeed a milestone in the right trajectory.

It's in the same fiscal year that the hospital piloted a electronic records management system where Elephant Software was unveiled and this has improved record keeping at the same time reducing the paper work.

Finally, I believe that we are set to achieve more targets in the future that will place Olenguruone at par with other high performing facilities.



HMC Chairperson

6. Report of The Medical Superintendent

I am pleased to present the Hospital's annual report and financial statements for the year 2021/22. The report highlights the hospitals operational and financial performance as well as our strategic direction.

Operational Performance

Olunguruone Sub-County provides both preventive and curative services (inpatient and outpatient) as well as maternity services amongst others. To meet our patients' needs, we have staff working in different departments covering the said services even though more staff are needed to ensure our clients receive the best of care in a timely and efficient manner. In 2021/22, the hospital attended to 30,064 patients of whom 1996 were inpatients.

During the year, the hospital in a bid for digitalization adopted a health management system for outpatient. It was rolled out in phases being a pilot project. The same has seen more patients being captured electronically. Nonetheless, the challenge has been adopting the changes by end users. The same has made it easier for generation of monthly reports and even knowing the stock of resources at any given time.

Financial Performance

In the last financial year, the total we collected in cash was 6,325,850. NHIF and Linda Mama reimbursed us amount totaling to 8,996,500. Since these are the only sources of revenue for us, the total revenue collected was thus KES 15,322,350.

Challenges Faced:

1. **Resource Constraints:** Despite the successes, resource constraints remained a challenge, affecting the hospital's capacity to invest in advanced technology and maintain optimal staffing levels.
2. **Healthcare Staff Shortages:** The healthcare sector continued to face shortages of skilled medical professionals, leading to workload challenges. The county however is working on increasing the workforce to enable us provide patient centered care.
3. **Infrastructure Maintenance:** Maintaining the expanded facilities presented challenges in terms of funding for repairs and upgrades. There is the stalled surgical theatre. The county promised to

take it up and complete it. There is no walkway to the mortuary. No fenced compound around the same mortuary.

The Way Forward:

1. **Resource Mobilization:** We will actively seek partnerships and funding opportunities to address resource constraints and invest in advanced medical technology.
2. **Workforce Development:** We will continue to prioritize staff training and recruitment efforts to address healthcare staff shortages. We will pester the county management until they employ more staff to ease the strain.
3. **EMR Expansion:** We plan to expand the usage of Elephant Software to include the inpatient module that will reduce paperwork and better record keeping.

In conclusion, Olenguruone Sub-County Hospital remains committed to providing high-quality healthcare services to our community. Despite the challenges, we have made significant progress and are more than ever determined to overcome obstacles to ensure a brighter healthcare future for the region. We will continue to work tirelessly to meet our mission of provided integrated quality health services for all.

Acknowledgment

Thanks to the hundreds of patients who serve as a testament to the continuous love, care and support that we offer and the commitment of our staff. We are indebted to our stakeholders and sponsors for their kindness and support and contributions to Olenguruone Sub-County Hospital. Long live Olenguruone!



*Dr. Gideon Kiprono
Medical Superintendent.*

7. Statement of Performance Against Predetermined Objectives

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

Olenguruone has 4 strategic pillars and objectives within the current Strategic Plan for the FY 2021- FY 2022. These strategic pillars/ themes/ issues are as follows;

1. Clinical Service Delivery
2. Healthcare Financing and Sustainability
3. Leadership and Governance
4. Medical products, Vaccines and Technology

Olenguruone develops its annual work plans based on the above *four* pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The *hospital* achieved its performance targets set for the FY 2021/2022 period for its 4 strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Clinical Service Delivery	To strengthen emergency preparedness	CME meetings	<ul style="list-style-type: none"> • Conduct CMEs on emergency preparedness • Avail emergency trays and drugs 	<ul style="list-style-type: none"> • CMEs done • Trays availed with daily checklist
	To enhance referral systems	Survey reports	<ul style="list-style-type: none"> • Implement referral guidelines • Employ a paramedic 	<ul style="list-style-type: none"> • Referral guidelines implemented 86% • One referral paramedic employed
	To provide more	<ul style="list-style-type: none"> • Asset 	<ul style="list-style-type: none"> • Procure Assorted 	<ul style="list-style-type: none"> • Small assorted

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	medical Equipment	register <ul style="list-style-type: none"> • Delivery Notes 	Medical Equipment	equipment such as thermo gun, digital BP Machines etc procured and functional
Healthcare Financing and Sustainability	To increase revenue Generation	<ul style="list-style-type: none"> • Revenue Reports 	<ul style="list-style-type: none"> • Review User Fee Charges • Increase Customer Base 	<ul style="list-style-type: none"> • Revenue improved compared to previous year • Review of user fees continuous and on progress
Leadership and Governance	Enhance policy formulation, dissemination and implementation	<ul style="list-style-type: none"> • No of staff meetings • No of HMC meetings 	<ul style="list-style-type: none"> • Monthly staff meeting • Quarterly Board meeting • Implementation of strategic plan 	<ul style="list-style-type: none"> • Quarterly board meetings achieved
Medical products, Vaccines and Technology	Strengthen coordinate and manage medical products supply chain	<ul style="list-style-type: none"> • % reduction on stock outs • Bin cards • Complete registers 	<ul style="list-style-type: none"> • Quarterly Forecasting • Prepare monthly and Annual Report • Prepare documentation of services provided 	<ul style="list-style-type: none"> • Forecasting done • Annual and monthly reports done • Stock outs reduced by 10%

8. Corporate Governance Statement

The Hospital Management Board works as the link between the hospital and the community it serves. It has the ultimate authority and responsibility for patient care and the overall quality of service in the hospital. To fulfill this responsibility the Health Management Board has the obligation to demonstrate leadership in determining priorities for the hospital that are consistent with the available resources.

However, the HMC doesn't perform the actual day-to-day work of the hospital but sees to it that such work is done by delegating tasks and authority to the HMTs.

Membership

The HMC consists of at least five (5) or seven (7) members of the committee appointed by the Governor. A member of the committee, a part from the ex-officio, holds office for a period of three (3) years and is eligible for a one (1) further term of three (3) years.

To the extent feasible, Board members are residents of the Sub-County or work in the hospital's service area.

The appointed members as per The Kenya Gazette notice Vol. CXXIV—No. 2 are as follows:

Richard Kerich -Chairperson

Andrew Bii Vice- Chairperson

Robert Langat- Member

Lee Bett- Member

Magdalene Chelimo- Member

Samwel Ngeno- Member

Rose Langat- Member

Johnstone Sang- Member

Medical Superintendent (Dr. Toroitich Gilbert)- Secretary

Roles and Functions of the Board:

The roles and responsibilities of the Board as set out in the Board Charter and includes:

- ✓ Establishing the Hospital's strategic direction and priorities, and adopting business plans proposed by management for the achievement of the strategic objectives
- ✓ Monitoring and evaluating the implementation of strategies, policies, management performance criteria and business plans.

- ✓ Providing oversight in financial reporting to the Government and communication to stakeholders.
- ✓ Ensuring availability of adequate resources for the achievement of the Hospital’s objectives.
- ✓ Overseeing business affairs of the Hospital in light of emerging risks and opportunities.
- ✓ Approving annual budgets.

The Board provides oversight to Management and ensures that staff operates within the Code of Conduct and Ethics, Leadership Integrity Act, and the “Mwongozo” Code of Governance for State Corporations.

Board Meetings and Attendance

The Health Management Board convenes once per quarter in each Financial Year unless it is a special Board (Four Full Board Meetings a year).

The attendance was as follows:

Name/Role	Attendance
<i>Richard Kerich -Chairperson</i>	1 out of 2
<i>Andrew Bii Vice- Chairperson</i>	1 out of 4
<i>Robert Langat- Member</i>	2 out of 4
<i>Lee Bett- Member</i>	4 out of 4
<i>Magdalene Chelimo- Member</i>	4 out of 4
<i>Samwel Ngeno- Member</i>	4 out of 4
<i>Rose Langat- Member</i>	1 out of 4
<i>Johnstone Sang- Member</i>	0 out of 4
<i>Dr. Toroitich Gilbert- Secretary</i>	4 out of 4

NB: Mr. Richard Kerich was appointed in 7th January, 2022 to replace Simon Rabwet as the chair of the board.

Board Remunerations

The following schedule, determined by the Leadership and Governance Committee under the leadership of CECM Health Services, shows compensation by type paid to the Health Management Board members at each committee meeting attended. These rates shall continue to apply until the Salaries and Remuneration Commission revises them in consultation with the Public Service Commission of Kenya and communicated to the County Governments.

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ALLOWANCES FOR HFMCB

	LEVEL 5	LEVEL 4 HIGH VOLUME	LEVEL 4 LOW VOLUME
1. CHAIRPERSON	15,000	6,000	4,000
2. VICE CHAIRPERSON	12,000	6,000	3,500
3. MEMBER	10,000	4,000	3,000
4. LUNCH	3,000	2,500	1,000
5. P.A FOR MEMBER PWD	2,000	2,000	1,000
6. SUB COMMITTEES	6,000	3,000	1,500
7. MEMBERS ON SPECIAL ASSIGNMENT/PUBLIC TRANSPORT & LUNCH REIMBURSEMENT	6,000	4,000	2,000



Ethics and Conduct:

- The board upholds high ethical standards and a code of conduct that guides the behavior of its members.

9. Management Discussion and Analysis

Here we have the operational and financial performance of the hospital over the last year, including key projects, compliance with statutory requirements, major risks, and other relevant information.

Operational Performance:

Key Performance Indicator	2021
Bed Capacity	24
Total admissions	1996
Outpatient Workload	30,064
Average Length of Stay (days)	2.8
Maternal Mortality Ratio per 100,000	122.1
Perinatal Mortality Rate per 1000 births	33.4

The outpatient workload was huge standing at 30,000 patients being seen. This happened in the wake of COVID-19 wave. At the same period, interestingly the maternal mortality ratio was high at 122 per 100,000.

Financial performance that includes

Financial Indicator	2021 (Ksh)
Cash	6,325,850
NHIF/LINDA MAMA	8,996,500
Total Revenue	15,322,350
Total Expenses	14,679,882

The source of revenue for the hospital is both cash and insurance, mostly NHIF and Linda Mama. The same money is ploughed back to the facility as facility improvement fund (FIF).

Key Projects and Investments:

- In 2021, the hospital adopted an electronic medical record management system in collaboration with The Elephant System which has seen most patients captured in our databases and for easy generation of monthly reports.

Compliance with Statutory Requirements:

- The hospital maintains full compliance with all regulatory and statutory requirements, including licensing, safety, and healthcare standards. This is evidenced by the compliance certificates and licenses.

Major Risks Facing the Organization:

1. **Economic Uncertainty:** Fluctuations in the revenues and delays by the National Health Insurance Fund (NHIF) and Linda Mama to reimburse the hospital leads to financial instability.
2. **Staffing Challenges:** This is a huge and perennial challenge. The few committed staff are strained to provide quality service.
3. **Debt:** There is a huge debt which keeps rising due to the financial challenges.

10. Environmental and Sustainability Reporting

Olunguruone exists to transform lives. It's what guides us to deliver our strategy, putting the clients first, delivering health services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

i) Sustainability strategy and profile

The hospital is working towards green energy and eliminating the use of firewood by reviving gas system for cooking. This will not only reduce air pollution but also create a clean working environment for the kitchen staff.

However, the cost of gas being on the rise can impede the implementation of the sustainability projects. We have had budget constraints which for example has deterred us from designing a modern incinerator. Creating public awareness to demand for sustainable healthcare services are definitely the drivers of sustainable initiatives

ii) Environmental performance

Olunguruone Sub-County Hospital is committed to environmental sustainability and recognizes its responsibility to minimize its environmental impact. We are dedicated to the preservation of biodiversity, efficient waste management, and reducing the environmental footprint of our operations.

The objective is to reduce energy consumption and promote energy efficiency by putting off lights when not needed improving hospital economics. Also, minimize water usage by use of low flow taps or outlets. Finally, promote responsible waste management, recycling, and disposal. The management buys recyclable equipment and supplies for those that are possible. For the single-use plastics like syringes, they are safely disposed to preserve the environment.

Infection and Prevention Control (IPC) committee together with public health officers have been encouraging correct waste segregation by use of correct bins for correct waste. There is an incinerator where hospital waste is burnt and a nearby ash pit.

Of note is the need to repair the incinerator to help the smoke not to get into the environment as well as fence around it so as not to pose a threat to people and animals equally.

iii) Employee welfare

The employee welfare is crucial to ensure the delivery of quality healthcare services. There is inclusivity during hiring process by offering equal employment opportunities for all. The hospital is in engagement with relevant stakeholders to ensure that the hiring practices and or remunerations guidelines are followed.

Some staff have been taking study leave and or attending to seminars and trainings for career and skills development

At the end of each year, the best employees are recognized and rewarded for their outstanding performance thus encouraging others to follow suit.

There is performance appraisal system where the immediate supervisor sets with the staff and reviewed during set timelines for the financial year.

The hospital is compliant to Occupational Safety and Health Act of 2007 (OSHA), to ensure the safety and health of their members. The support staff for example are furnished with appropriate protective gear as well as a maintaining a safe working environment

Any incidences are reported and investigations are conducted with relevant corrective actions taken.

iv) Market place practices-

Ensuring responsible competition practices in Olunguruone Sub-County is essential to maintain ethical standards and foster a fair and transparent healthcare environment.

Anti-Corruption Measures:

- ✓ Code of Conduct and Ethics: The hospital staff have each signed the county's well-defined code of conduct and ethics that explicitly prohibits corruption and bribery.
- ✓ Vendor and Supplier Screening: There is pre-qualified list of suppliers that the county engages that trickles down to the hospital level to limit corrupt deals.

Fair Competition:

- ✓ Fair Pricing and Billing: The hospital maintains fair and transparent pricing and billing practices to avoid overcharging patients or engaging in price manipulation. This achieved using an electronic records management that has preset prices for different services.
- ✓ Non-Discrimination: Olunguruone is committed to offering equal access to healthcare services to all patients, regardless of their background, race, religion, or economic status.

Maintaining good business practices and treating suppliers responsibly is paramount to us for smooth operations and positive relationships. We have adopted a FIFO system where earlier supplier or contracts are cleared first before the latest. We strive to ensure timely payments despite the financial constraints and the debts we have. Fair and open procurement process is adopted to avoid favouritism is supplier selection.

a) *Patient Rights and Interests*

Safeguarding patients' rights and interests is key to us to ensure that patients receive quality healthcare services while being treated with respect and fairness. We do so by:

Respecting confidentiality and privacy of patients. We only share patient information with authorized and legitimate individuals for medical purposes. Before undertaking any medical procedure or task, either verbal or written informed consent is taken outlining the risks vs benefits and or alternatives open to the patient about their care.

The patients get to enjoy access to clear information about their health conditions and quick referral to other places when we are limited in terms of specialists and or resources.

b) *Corporate Social Responsibility / Community Engagements*

Certainly, Olenguruone Hospital engages in various Corporate Social Responsibility (CSR) activities to benefit the community and demonstrate its commitment to social impact.

Through community screening in collaboration with CHVs, many have benefitted from free check-ups, vaccinations and or health education which has improved access to healthcare for marginalized communities and early disease detection.

It also conducts community outreaches and health education in schools and communities which has increased health literacy and awareness leading to healthier lifestyles and reduced disease prevalence.

In partnership with charitable organizations like UTJ (Usaid Tujengee Jamii), the vulnerable groups have benefitted a lot especially those with TB and HIV. They are able to get medicines for free and even transport and visits to their places of residence for more support.

11. Report of The Board of Management

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

Principal activities

The principal activities of Olenguruone Sub-County Hospital are to continue providing quality and affordable preventive, promotive, rehabilitative and curative health services in Kuresoi South.

Results

The results of Olenguruone Sub-County Hospital for the year ended June 30, 2022 are set out on pages 1 to 39.

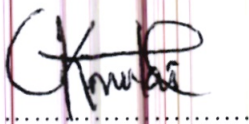
Board of Management

The members of the Board who served during the year are shown on page viii. During the year, the chair of the board was replaced, and new chairperson was appointed with effect from 7th January 2022.

Auditors

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

By Order of the Board



.....
Dr. Gideon Kiprono

Secretary to The Board

Date: 10/10/2023.....

12. 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 Olenguruone, 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 Olenguruone Sub-County Hospital for that year/period. The Board of Management is also required to ensure that the hospital keeps proper accounting records that disclose with reasonable accuracy the financial position of the Hospital. The council members are also responsible for safeguarding the assets of the Hospital.

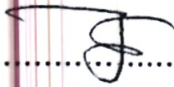
The Board of Management is responsible for the preparation and presentation of the Olenguruone Sub-County Hospital financial statements, which give a true and fair view of the state of affairs of Olenguruone Sub-County Hospital and as at the end of the financial year (period) ended on June 30, 2022. 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 Olenguruone Sub-County Hospital, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the hospital; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

The Board of Management accepts responsibility for the Olenguruone Sub-County 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 and. The Board members are of the opinion that the hospital's financial statements give a true and fair view of the state of Olenguruone Sub-County 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 Olenguruone Sub-County 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 10/10/2023 and signed on its behalf by:



.....
Chairperson Eng. Joseph Rop
Board of Management



.....
Name: Dr. Kiprono Gideon
Accounting Officer

REPUBLIC OF KENYA



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

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

REPORT OF THE AUDITOR-GENERAL ON OLENGURUONE LEVEL 4 SUB-COUNTY HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2022 – COUNTY GOVERNMENT OF NAKURU

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Olenguruone Sub-County Level 4 Hospital - County Government of Nakuru as set out on pages 1 to 37, which comprise of the statement of financial position as at 30 June, 2022, and the statement of financial

performance, statement of changes in net assets, statement of cash flows and 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 Olenguruone Sub-County Level 4 Hospital - County Government of Nakuru as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, County Governments Act, 2012 and the Health Act, 2017.

Basis for Qualified Opinion

1. Variances on Revenue from Rendering Services

The statement of financial performance reflects rendering of services – medical income amount of Kshs.15,322,350. Included in the amount is Kshs.8,996,500 in respect of claims reimbursed from National Health Insurance Fund (NHIF). However, the NHIF's records revealed an amount of Kshs.7,769,100 resulting in an unexplained variance of Kshs.1,227,400.

In the circumstances, the accuracy and completeness of revenue from rendering services amount of Kshs.15,322,350 could not be confirmed.

2. Variances on Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs.629,025 as disclosed in Note 18 to the financial statements relating to dues from the National Health Insurance Fund (NHIF). However, the NHIF's records revealed a balance of Kshs.1,405,689 resulting in an unexplained variance of Kshs.776,664. Further, the amount has been outstanding for more than twelve (12) months despite the NHIF contract providing for settlement of genuine claims within thirty (30) days of submission.

In the circumstances, the accuracy and completeness of the receivables from exchange transactions balance of Kshs.629,025 could not be confirmed.

3. Unsupported Inventories Balance

The statement of financial position reflects inventories balance of Kshs.5,932,420 as disclosed in Note 19 to the financial statements. However, there was no evidence that annual stock take was undertaken as at 30 June, 2022.

In the circumstances, the accuracy and valuation of the inventories balance of Kshs.5,932,420 could not be confirmed.

4. Variances on Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.6,561,445 which includes Kshs.513,289 owed to Kenya Medical Supplies Authority (KEMSA). However, the KEMSA's records reflects a balance of Kshs.72,700 resulting in an unexplained variance of Kshs.440,589.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.6,561,445 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Olenguruone Sub-County Level 4 Hospital Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE 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. Unbalanced Budget

The statement of comparison of budget and actual amounts reflects final revenue budget amount of Kshs.25,865,226 and final expenditure budget amount of Kshs.24,629,052 resulting in a surplus budget of Kshs.1,236,174. This was contrary to Regulation 31(c) of the Public Finance Management (County Governments) Regulations, 2015 which provides that budget revenue and expenditure appropriation shall be balanced.

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

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

The statement of financial performance reflects revenue from rendering services – medical services amount of Kshs.15,322,350 as disclosed in Note 10 to the financial statements. However, the amount was not transferred to the County Revenue Fund

Account for approval by the Controller of Budget before withdrawal. This was contrary to Regulation 80(1) of Public Finance and Management (County Governments) Regulations, 2015, which provides that all revenue receipts for the county government shall be paid into County Exchequer Account and any withdrawal is as per the approved Appropriations Act.

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

3. Delayed Completion of the Out-patient and Surgical Theatre

Review of the records revealed that the Hospital was constructing an outpatient block at a contract sum of Kshs.100,000,000 which commenced during the 2018-2019 financial year. However, an audit inspection done in April, 2024 revealed that the project was still under construction with an estimated completion level of 70%, although the construction was expected to have been completed in 2020-2021 financial year. Further, the Hospital had an ongoing construction of surgical theatre at a contract sum of Kshs.11,417,817 and which had stalled since the year 2012.

In the circumstances, the delayed construction of projects has denied the public the services expected from the project.

4. Irregular Engagement of Casual Workers

The statement of financial performance reflects casuals and contractual staff amount of Kshs.3,407,174 as disclosed in Note 12 to the financial statements. However, Management engaged casual workers for more than three months. This was contrary to the Public Service Commission of Kenya - County Public Service Human Resource Manual, May, 2013 Section B.16(1) which states that, "Casual workers shall be engaged only on urgent short-term tasks with the approval of the County Public Service Board and they shall not be engaged for more than three months, as stipulated in the Employment Act, 2007".

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

5. Non-Compliance with Requirements on Universal Health Coverage

Review of Hospital records and interviews on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits by (eight two) 82 staff requirements or 81% of the authorized establishment.

Staff Requirements	Level 4 Standard	No. in Hospital	Variance	Percentage %
Medical Officers	16	2	14	88
Anesthesiologists	2	0	2	100
General Surgeons	2	1	1	50
Gynecologists	2	0	2	100
Pediatrics	2	0	2	100

Staff Requirements	Level 4 Standard	No. in Hospital	Variance	Percentage %
Radiologists	2	1	1	50
Kenya Registered Community Health Nurses	75	15	60	80
Total	101	19	82	81

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

Service	Level 4 Hospital Standard	Actuals in the Hospital	Variance	Percentage %
Beds	150	24	126	84
New Born Unit Incubators	5	0	5	100
New Born Unit Cots	5	0	5	100
Functional ICU Beds	6	0	6	100
High Dependency Unit (HDU) Beds	6	0	6	100
Renal Unit with at least 5 Dialysis Machines	5	0	5	100
Two Functional Operational Theatres- Maternity & General	2	1	1	50

These deficiencies contravene the First Schedule of Health Act, 2017 and imply that accessing the highest attainable standard of health by Article 43(1) of the Constitution of Kenya, 2010 may not be achieved.

In the circumstances, the facility is not able to offer services as a level 4 hospital.

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 matter 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

Expired Medical Supplies

The statement of financial position reflects inventories balance of Kshs.5,932,420 as disclosed in Note 19 to the financial statements. However, review of the store records on pharmaceuticals and non-pharmaceuticals at the Hospital revealed that one hundred and seventy-eight (178) packs of various drugs with undetermined value had expired. In addition, the stock cards used to issue drugs to various departments in the hospital did not indicate the batch number and the expiry dates of the drugs.

Further, review of the Hospital's stock cards indicated that the hospital experienced stock out of medical supplies during the year under review.

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

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

Responsibilities of Management and the Board of Management

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 continue to sustain its services, disclosing, as applicable, matters related to the sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Hospital or to cease operations.

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

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

The Board of Management is responsible for overseeing the Hospital's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to 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 review is planned and performed to express a conclusion with limited assurance as to 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 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. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

Further, in planning and performing the audit of the financial statements and review 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 controls may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi


21 June, 2024

Olunguruone Hospital (Nakuru County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022


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

Description	Notes	2021/22
		Kshs
Revenue from non-exchange transactions		
Transfers from the County Government	6	0
In-kind contributions from the County Government	7	10,542,876
Grants from donors and development partners	8	0
Transfers from other Government entities	9	0
Revenue from exchange transactions		
Rendering of services- Medical Service Income	10	15,322,350
Total revenue		25,865,226
Expenses		
Medical/Clinical costs	11	13,117,085
Employee costs	12	3,407,174
Board of Management Expenses	13	512,000.00
Depreciation and amortization expense	14	0
Repairs and maintenance	15	1,140,565
General expenses	16	7,045,934
Finance costs		0
Total expenses		25,222,758
Net Surplus for the year		642,468

The Hospital's financial statements were approved by the Board on 10/10/2023 and signed on its behalf by:

.....


Chairman
Board of Management

.....


Head of Finance
ICPAK No: 7241


.....


Medical Superintendent


15. Statement of Financial Position as at 30th June 2022

Description	Notes	2021/22
		Kshs
Assets		
Current assets		
Cash and cash equivalents	17	1,928,204
Receivables from exchange transactions	18	629,025
Receivables from non-exchange transactions		-
Inventories	19	5,932,420
Total Current Assets		8,489,648
Non-current assets		
Property, plant, and equipment	20	-
Intangible assets	21	-
Total Non-current Assets		-
Total assets		8,489,648
Liabilities		
Current liabilities		
Trade and other payables	22	6,561,445
Refundable deposits from customers/Patients	23	
Total Current Liabilities		6,561,445
Total Non-current liabilities		0
Total Liabilities		6,561,445
Net assets		
Revaluation reserve		0
Accumulated surplus/Deficit		642,468
Capital Fund		1,285,735
Total Net Assets and Liabilities		8,489,648

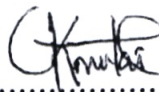
The Hospital's financial statements were approved by the Board on 10/10/2023 and signed on its behalf by:



Chairman
Board of Management



Head of Finance
ICPAK No: 7241




Medical Superintendent

Olenguruone Hospital (Nakuru County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022


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

	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2020	0	0	0	0
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	-	-	-
Capital/Development grants	-	-	-	-
As at June 30, 2021	-	-	1,285,736	1,285,736
		-	-	-
At July 1, 2021	-	-	1,285,736	1,285,736
Revaluation gain	-	-	-	-
Surplus for the year	-	642,468	-	642,468
Capital/Development grants	-	-	-	-
At June 30, 2022	-	<u>642,468</u>	<u>1,285,736</u>	<u>1,928,204</u>

The Hospital's financial statements were approved by the Board on 10/10/2023 and signed on its behalf by:



Chairman
Board of Management



Head of Finance
ICPAK No: 7241



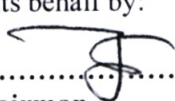
Medical Superintendent

Note: The capital balance comprises donations and funding from the County Government from prior years.


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

Description	Note	2021/22 Kshs
Cash flows from operating activities		
Receipts		
Transfers from other Government entities		-
Rendering of services- Medical Service Income	10	15,322,350
Total Receipts		15,322,350
Payments		
Medical/Clinical costs	11	4,775,511
Employee costs	12	3,407,174
Board of Management Expenses	13	512,000
Repairs and maintenance	15	990,565
General expenses	16	4,994,632
Finance costs		-
Total Payments		14,679,882
Net cash flows from operating activities	24	642,468.00
Cash flows from investing activities		
Purchase of property, plant, equipment, & intangible assets		-
Proceeds from the sale of property, plant, and equipment		-
Acquisition of investments		-
Net cash flows used in investing activities		-
Cash flows from financing activities		
Proceeds from borrowings		-
Repayment of borrowings		-
Capital grants received		-
Net cash flows used in financing activities		-
Net increase in cash and cash equivalents		642,468
Cash and cash equivalents at 1 July 2021	17	1,285,736
Cash and cash equivalents at 30 July 2022	17	1,928,204

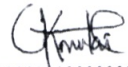
The notes set out on pages 1 to 39 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 10/10/2023 and signed on its behalf by:



Chairman



Head of Finance
 7241



Medical Superintendent

Olenguruone Hospital (Nakuru County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

18. Statement of Comparison of Budget and Actual Amounts For The Year Ended 30th June 2022

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
In-kind contribution from the County Government	-	10,542,876	10,542,876	10,542,876	-	100%
Grants from donors and development partners	-	-	-	-	-	0%
Transfers from other Government entities	-	-	-	-	-	0%
Rendering of services- Medical Service Income	15,322,350	-	15,322,350	15,322,350	-	100%
Total income	15,322,350	10,542,876	25,865,226	25,865,226	-	100%
Expenses						
Medical/Clinical costs	4,520,440	10,542,876	15,063,316	13,117,085	1,946,231	13%
Employee costs	3,161,839	-	3,161,839	3,407,174	(245,335)	-8%
Remuneration of directors	470,000	-	470,000	512,000	(42,000)	-9%
Repairs and maintenance	959,000	-	959,000	1,140,565	(181,565)	-19%
Grants and subsidies	-	-	-	-	0	0%
General expenses	4,974,897	-	4,974,897	7,045,934	(2,071,037)	-42%
Total Expenses	14,086,176	10,542,876	24,629,052	25,222,758	(593,706)	0%
Surplus for the period	-	-	-	642,468	-	0%
Capital expenditure	-	-	-	-	-	0%

.....
 Chairman
 Board of Management

.....
 Head of Finance
 ICPAK No: 7241

.....
 Medical Superintendent

19. Notes to the Financial Statements

1. General Information

Olunguruone sub-county hospital is established by and derives its authority and accountability from PFM Act. The Olunguruone Sub-County Hospital is wholly owned by the Government of Kenya and is domiciled in Kenya. The Olunguruone Sub-County Hospital's principal activity is to provide integrated quality services for all.

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 hospital accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Olunguruone sub county hospital.

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

3. Adoption of New and Revised Standards

IPSASB deferred the application date of standards from 1st January 2022 owing to Covid19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

Notes to the Financial Statements (Continued)

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

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

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

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

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

ii. Early adoption of standards

The Olunguruone Sub-County Hospital 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 Olunguruone Sub-County Hospital and can be measured reliably.

Revenue from exchange transactions

Rendering of services

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

Sale of goods

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

Interest income

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

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Olunguruone Sub-County Hospital's right to receive payments is established.

Rental income

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

b) Budget information

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

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

c) Taxes

Sales tax/ Value Added Tax

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

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

d) Investment property

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

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

e) Property, plant and equipment

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

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

f) Leases

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

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

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

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

g) Intangible assets

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

h) Research and development costs

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

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

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

i) Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The hospital determines the classification of its financial assets at initial recognition.

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

The Hospital assesses at each reporting date whether there is objective evidence that a financial asset or an asset of financial assets is impaired. A financial asset 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 of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

i) Inventories

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

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

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

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

j) Provisions

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

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

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

Contingent liabilities

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

Contingent assets

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

k) Nature and purpose of reserves

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

l) Changes in accounting policies and estimates

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

m) Employee benefits

Retirement benefit plans

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

n) Foreign currency transactions

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

o) Borrowing costs

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

p) Related parties

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

q) Service concession arrangements

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

r) Cash and cash equivalents

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

s) Comparative figures

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

t) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available.

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 KShs
Unconditional grants	
Operational grant	-
Level 5 grants	-
Other grants	-
	-
Conditional grants	
User fee forgone	-
Transforming health services for Universal care project (THUCP)	-
DANIDA	-
Wards Development grant	-
Paediatric block grant	-
Administration block grant	-
Laboratory grant	-
Total government grants and subsidies	-

6(b) Transfers from the County Government

Name of the Entity sending the grant	Amount recognized to Statement of financial performance KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year
			KShs	KShs
Nakuru County Government	-	-	-	-
Total	-	-	-	-

7. In Kind Contributions from The County Government

Description	2021/22 KShs
Salaries and wages	-
Pharmaceutical and Non-Pharmaceutical Supplies	-
Medical supplies-Drawings Rights (KEMSA)	10,542,876
Utility bills	-
Total grants in kind	10,542,876

8. Grants From Donors and Development Partners

Description	2021/22 KShs
Cancer Centre grant- DANIDA	-
World Bank grants	-
Paediatric ward grant- JICA	-
Research grants	-
Other grants (<i>specify</i>)	-
Total grants from development partners	-

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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
	KShs	KShs	KShs	KShs
Donor e.g., DANIDA	-	-	-	-
JICA	-	-	-	-
World Bank	-	-	-	-
Total	-	-	-	-

9. Transfers From Other Government Entities

Description	2021/22
	KShs
Transfer from National Government (Ministry of Health)	-
Transfer from (NHIF) National Hospital	-
Transfer from xxx Institute	-
Total Transfers	-

10. Rendering of Services-Medical Service Income

Description	2021/22
	KShs
Pharmaceuticals	1,414,418
Laboratory	989,941
Radiology	777,768
Orthopedic and Trauma Technology	166,118
Theatre	37,410
Accident and Emergency Service	945,569
Dental services	55,500
Reproductive health	6,724,750
Paediatrics services	969,894
Farewell home services	350,061
Other medical services income	2,890,921
Total revenue from the rendering of services	15,322,350

11. Medical/ Clinical Costs

Description	2021/22
	KShs
Laboratory chemicals and reagents	2,005,954
Food and Ration	2,782,675
Dressing and Non-Pharmaceuticals	1,620,292
Pharmaceutical supplies	1,709,841
Sanitary and cleansing Materials	777,495
Purchase of Medical gases	239,407
Other medical cost	3,981,421
Total medical/ clinical costs	13,117,085

12. Employee Costs

Description	2021/22
	KShs
Salaries, wages, and allowances	2,905,874
Contractual Employees	501,300
Employee costs	3,407,174

13. Board of Management Expenses

Description	2021/22
	KShs
Sitting allowance	512,000
Total	512,000

14. Depreciation And Amortization Expense

Description	2021/22
	KShs
Property, plant and equipment	-
Intangible assets	-
Investment property carried at cost	-
Total depreciation and amortization	-

15. Repairs And Maintenance

Description	2021/22
	KShs
Property- Buildings	626,910
Medical equipment	365,800
Motor vehicle expenses	147,855
Total repairs and maintenance	1,140,565

16. General Expenses

Description	2021/22
	KShs
Catering expenses	220,000
Daily subsistence allowance	33,000
General office	14,060
Other fuels	43,700
Bank charges	113,712
Purchase of utensils	6,250
Purchase of computer	78,000
Refine fuel	1,742,060
Electricity expenses	1,250,000
Postal & courier services	10,000
Travel and accommodation allowance	356,250
Printing and stationery	890,705
Water and sewerage costs	244,300
Telephone and mobile phone services	50,665
Internet expenses(ICT&Software)	1,993,232
Total General Expenses	7,045,934

17. Cash And Cash Equivalents

Description	2021/22
	KShs
Current accounts	1,928,204
On - call deposits	-

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Fixed deposits accounts	-
Cash in hand	-
Others(<i>specify</i>)- Mobile money	-
Total cash and cash equivalents	1,928,204

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

Description		2021/22
Financial institution	Account number	KShs
a) Current account		
NBK	01001019327000	1,928,204
Equity Bank, etc		-
Sub- total		-
b) On - call deposits		
Kenya Commercial bank		-
		-
Equity Bank – etc		
Sub- total		-
c) Fixed deposits account		
Bank Name		-
Sub- total		-
d) Others(<i>specify</i>)		
cash in hand		
Mobile money- Mpesa, Airtel money		
Sub- total		
Grand total		1,928,204

18. Receivables From Exchange Transactions

Description	2021/22
	KShs
Medical services receivables	629,025
Rent receivables	-
Other exchange debtors	-
Less: impairment allowance	-
Total receivables	629,025

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19. Inventories

Description	2021/22
	KShs
Pharmaceutical supplies	2,354,949
Maintenance supplies	-
Food supplies	170,350.00
Linen and clothing supplies	-
Cleaning materials supplies	-
General supplies (non-pharms)	3,407,121
Less: provision for impairment of stocks	-
Total	5,932,420

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20. Property, Plant and Equipment

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

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

Note: The Property, plant and Equipment figure is nil because the County Government is in the process of revaluing the assets.

21. Intangible Assets-Software

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

22. Trade And Other Payables

Description	2021/22
	KShs
Trade payables	6,561,445
Employee dues	-
Third-party payments	-
Audit fee	-
Doctors' fee	-
Total trade and other payables	6,561,445

23. Refundable Deposits from Customers/Patients

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

24. Cash Generated from Operations

	2021/22
	KShs
Surplus for the year before tax	642,468
Adjusted for:	
Depreciation	-

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Non-cash grants received	-
Impairment	-
Gains and losses on disposal of assets	-
Contribution to provisions	-
Contribution to impairment allowance	-
Working Capital adjustments	
Increase in inventory	(5,932,420)
Increase in receivables	(629,025)
Increase in deferred income	-
Increase in payables	6,561,445
Increase in payments received in advance	-
Net cash flow from operating activities	642,468

25. Financial Risk Management

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

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

(i) Credit risk

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

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

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

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

(ii) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2021				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-

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Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-
At 30 June 2022				
Trade payables	-	-	6,561,445	6,561,445
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	6,561,445	6,561,445

(iii) Market risk

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

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

a) Foreign currency risk

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

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	KShs	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2021			
Financial assets (investments, cash, debtors)	-	-	-
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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

	KShs	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2022			
Financial assets (investments, cash, debtors)	-	-	-
Liabilities			
Trade and other payables	6,561,445	-	6,561,445
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

Foreign currency sensitivity analysis

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

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

Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

iv. Capital Risk Management

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

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	2021/22
	Kshs
Revaluation reserve	-
Retained earnings	642,468
Capital reserve	1,285,735
Total funds	-
Total borrowings	-
Less: cash and bank balances	(1,928,2040
Net debt/ (excess cash and cash equivalents)	-
Gearing	0.00

26. Related Party Balances

Nature of related party relationships

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

Government of Kenya

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

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

Description	2021/22
	Kshs
Transactions with related parties	
a) Services offered to related parties	
Services to xxx	-
Sales of services to xxx	-
Total	-
b) Grants from the Government	
Grants from County Government	-

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Grants from the National Government Entities	-
Donations in kind	10,542,876
Total	-
c) Expenses incurred on behalf of related party	
Payments of salaries and wages for employees	-
Payments for goods and services for	-
Total	-
d) Key management compensation	
Directors' emoluments	-
Compensation to the medical Sup	-
Compensation to key management	-
Total	10,542,876

27. Segment Information

28. Events After The Reporting Period

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

29. Ultimate And Holding Entity

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

30. Currency

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

20. Appendices

Appendix 1: Progress on Follow up of Auditor Recommendations

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

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

Guidance Notes:

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



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Accounting Officer

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APPENDIX II: Projects Implemented by Olunguruone sub county hospital.
Projects

Projects implemented by the Hospital Funded by development partners

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1. OUTPATIENT BLOCK	N/A	County Government	2018/2019	N/A	No	No
2. STALLED SURGICAL THEATRE	N/A	CDF	2012/2013	N/A	No	No

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	OUTPATIENT BLOCK	100,000,000.00	N/A	70%	N/A	N/A	County Government
2	STALLED SURGICAL THEATRE	11,417,817.00	N/A	N/A	N/A	N/A	CDF
3							

