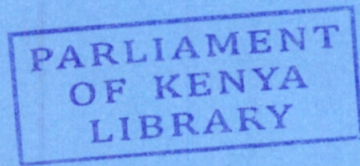


REPUBLIC OF KENYA



Enhancing Accountability

REPORT



OF

25/09/24
S.M.L
Angela

THE AUDITOR-GENERAL

ON

**NANYUKI TEACHING AND REFERRAL
HOSPITAL**

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

COUNTY GOVERNMENT OF LAIKIPIA



**NANYUKI TEACHING & REFERRAL HOSPITAL
(COUNTY GOVERNMENT OF LAIKIPIA)**

**ANNUAL REPORT AND FINANCIAL
STATEMENTS**

FOR THE YEAR ENDED 30TH JUNE 2022

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



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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Nanyuki Teaching and Referral Hospital (NTRH), previously Nanyuki District Hospital, has been in existence since 1930s [1935], primarily serving the people of Laikipia and parts of neighbouring Meru and Nyeri Counties. NTRH is a level 4 hospital established vide Gazette Notice No. 9811 dated 20th July 2012 and is domiciled in Laikipia County under the Health Department. The hospital is governed by a Board of Management.

(b) Principal Activities

The principal mandate of NTRH is to ...

- i. To provide quality, accessible and affordable health care services
- ii. To Facilitate preventive, promotive and rehabilitative services to the community
- iii. To provide training to different health professionals
- iv. To conduct research in diverse public health fields

(c) Key Management

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

- County department of health
- Board of Management
- Accounting Officer/ hospital C.E.O
- Health management team

(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.	Chief Officer- Health Department	Dr. Donald Mogoi
2.	Chief Executive Officer	Dr. Timothy Panga
3.	Health department Accountant	CPA M. Charles Ntonjira
4.	Hospital Accountant	CPA Nahashon Ngujiri

(e) Fiduciary Oversight Arrangements

- County Treasury
- Internal Audit Directorate
- County Assembly

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- Senate Parliamentary committees
- Development partners & Donors

(f) Entity Headquarters

P.O. Box 66-10400
Off Nanyuki-Rumuruti Road
NANYUKI, KENYA

(g) Entity Contacts

Telephone: (+254)
E-mail: nanyukihospital@laikipia.go.ke
Website: <http://www.laikipia.go.ke/>

(h) Entity Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000, City Square 00200
Nairobi, Kenya

Kenya commercial bank
P.O.box 1004-10400
Nanyuki.

Family bank
P.O box
Nanyuki.

(i) Independent Auditors

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

(j) Principal Legal Adviser

The Attorney General
State Law Office

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Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya




(k) County Attorney

P.O. Box.1271-10400
Nanyuki, Kenya

II. THE BOARD OF MANAGEMENT

During the period under review the board of management was not in place since the lapse of the immediate former board.

III. MANAGEMENT TEAM

Management	Position Held
 <p data-bbox="274 837 520 869">Dr. Timothy Panga</p>	<p data-bbox="914 510 1366 542">Mpharm (clinical pharmacy, Bpharm)</p> <p data-bbox="914 560 1305 591">Position: Chief Executive officer</p>
 <p data-bbox="274 1303 523 1335">Mrs. Alice Mboroki</p>	<p data-bbox="914 943 1445 974">B. Com (HR), Diploma Health Management.</p> <p data-bbox="914 992 1347 1023">Position: Head of corporate Services</p>
 <p data-bbox="274 1807 488 1839">Mrs. Lucy Njogu</p>	<p data-bbox="914 1406 1062 1438">BSc Nursing</p> <p data-bbox="914 1456 1326 1487">Position: Manager nursing services</p>

 <p>CPA Nahashon Ngunjiri</p>	<p>CPA finalist Position ;Senior Accountant</p>
 <p>Ms Gertrude Nkatha</p>	<p>Diploma in procurement and supply chain management. Position: Procurement officer</p>
 <p>Dr. Sharon Wagma</p>	<p>B.Pharm Position: Manager, Pharmacy Services</p>

IV. CHAIRMAN'S STATEMENT

During the period under review the board of management was not in place since the lapse of the immediate former board.

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

Nanyuki Teaching and Referral Hospital (NTRH) is the largest public hospital in Laikipia County with a bed capacity of 242. It is currently registered as a level IV hospital (vide Gazette Notice No. 9811 dated 20th July 2012) with plans underway to upgrade it to a level V hospital. It has been in existence since 1930s. It has a large catchment area including Nanyuki, Thingithu, Umande, Tigithi, Ngobit, Mukogodo East and Mukogondo West wards in Laikipia County. Additionally, it serves neighbouring counties including Buuri and Kieni constituencies in Meru and Nyeri counties respectively. These areas make up a catchment population of approximately 240,000.

Our institution is guided by the eight pillars as outlined in the strategic plan (2021-2026). These pillars include: Leadership and Governance; Service Delivery; Health Products, Vaccines and Technologies; Health Research; Human Resources for Health; Health Infrastructure; Health Information and Health Financing.

During the financial year, the hospital management signed an MoU with International cancer institute (ICI). This made sure that patient samples including biopsies, fine needle aspirates among others were processed on time. This is expected to enhance cancer diagnosis and reduce the turnaround time for cancer diagnosis. In addition, our staff working in the empower clinic were expected to benefit from free training offered by ICI. An MoU was also signed with Dharura Charity on behalf of Bristol University. As a result, our staff, including all those working in the emergency department benefitted from free training on emergency care, mass casualty simulation and table top simulation. This partnership would also ensure that Global Health Fellows from Bristol University would be attached to our ED regularly throughout the period of the MoU. A number of our staff would also benefit from exchange programmes in the UK.

In the year ended 30th June 2022, the hospital attended to approximately 239,182 undifferentiated (walk-in) patients in our outpatient departments. A total of 9270 patients were admitted and treated in our inpatient wards. NTRH offered a wide range of services that included: in patient services (general wards, maternity ward; general outpatient walk-in clinics; corporate outpatient walk-in clinics; specialized outpatient walk-in clinics (ENT, ophthalmology, ortho-trauma, TB, mental health, youth centre, GBV, CCC clinics); Scheduled specialist outpatient clinics (paediatric OPC, medical OPC, surgical OPC, high-risk antenatal clinic, Obs/gyn OPC, orthopaedics OPC, ENT clinic, ophthalmology, ccc, oncology). The hospital offered round the clock pharmacy services, accident and emergency services, laboratory services and radiology services. Covid-19 pandemic had a significant effect on the health seeking behaviour of most our patients. A decline in

outpatient visits was noted especially during surges in Covid-19 cases that was observed in the second and third waves of the pandemic.

Even though it is our desire to ensure that our patients access medicines and other health products and technologies, a myriad of challenges were encountered throughout the period. This was attributable to erratic health financing model for the hospital and delays in procurement of essential commodities. This saw our prescription fill rate dip to a low of less than 50%. An appreciable increase in the number of days that essential items were out of stock was also noted.

Under health research, the hospital undertook a patient journey analysis to identify areas of improvement in patient care. Plans are underway to establish a research unit in the hospital. We look forward as an institution to installing a modern incinerator that will help in proper waste management.

Our total staff establishment is 410 comprising of medical specialists, general practitioners, dentists, specialized clinical officers, general clinical officers, specialized nurses, general nurse, pharmacists, pharmaceutical technologists, Laboratory technicians, nutritionists, health record information officers, public health officers, supportive cadres and general casuals. Due to biting shortage of human resources for health, the hospital had to engage a number of staff under hospital contract in order to ensure continuity of critical services such as accident and emergency services and surgical services. Covid-19 pandemic had a huge effect on the delivery of services because any staff confirmed to be positive had to retreat to a mandatory quarantine until when confirmed negative. This exerted further pressure to our already overstretched existing staff establishment.

Noteworthy infrastructural improvement that was completed in the period included; renovation of empower clinic, Haemophilia clinic, OPD-Radiology walkways and NHIF front office. Additionally, Laying of Fibre optic network, installation of CCU equipment (Ventilators, Patient monitors) was completed during the financial year. This was done through the support of National government and other development partners including world bank. Due to increased demand for oxygen driven by surge in covid-19 cases the hospital purchased 80 additional medical oxygen cylinders. A number of projects had been earmarked for implementation in the near future including expansion of outpatient block and construction of new CCC/TB block and physiotherapy block.

In line with the vision of networking all areas in the hospital, we were able to lay fibre optic cable through the support of national government. This was implemented by the ministry of ICT. This ensured that more areas in our institution were networked and thus making it possible to go paperless in a few areas.

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Our institution was able to raise revenue amounting to Ksh. 206, 675,380.00 which was an improvement from Ksh. 143,400,946 collected in the FY 2020/2021. The revenue growth could be attributed to reducing covid cases during the period and return of a few specialists from school. The main revenue streams continued to be NHIF capitation, NHIF rebates and cash collections. Other sources included NHIF fee for service and Private insurances such as AoN MINET, Britam and Kenya Alliance.

Preparation of 1st financial statements for Nanyuki teaching & referral Hospital

The financial statements for Nanyuki Teaching & referral Hospital for the FY 2021/22 have been derived from the Audited Financial Statements for Laikipia County Executive for the same period. This is because during the period the Hospital was operationally considered as part of the Department of Health & Medical Services of Laikipia County Government. It was therefore not operationally autonomous as all transactions were effected on the IFMIS system at the County Executive level.

The hospital has in accordance with IPSAS 33 opted for the transitional adoption of IPSAS accrual basis of financial statements presentation.



Dr. Sammy Kilonzo

Chief Executive Officer- Nanyuki Teaching & Referral Hospital



STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

Section 164 Subsection 2 (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer when preparing financial statements of each County Government entity, to include in the financial statement, a statement of the County Government entity's performance against predetermined objectives.

NTRH has 8 strategic pillars and objectives within the current Strategic Plan for the FY 2021- FY 2025.

These strategic pillars/ themes/ issues are as follows;

Pillar 1: Leadership and Governance

Pillar 2: Service Delivery

Pillar 3: Health Products, Vaccines and Technologies

Pillar 4: Health Research

Pillar 5: Human Resources for Health

Pillar 6: Health Infrastructure

Pillar 7: Health Information

Pillar 8: Health Financing

NTRH develops its annual work plans based on the above 8 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Board achieved its performance targets set for the FY 2021/2022 period for its 8 strategic pillars, as indicated in the table below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Leadership and Governance	To strengthen Leadership, Management and Governance (LMG) at NTRH	<ul style="list-style-type: none"> Percent of increase in partnerships 	<ul style="list-style-type: none"> Improve existing partnership and develop new ones 	<ul style="list-style-type: none"> Signed an MoU with International Cancer Institute Signed an MoU with Bristol Nanyuki Emergency Care Project
Service Delivery	To provide effective teaching and referral	Proportion of HCWs trained on	<ul style="list-style-type: none"> Training of HCWs on 	All ED staff trained

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	services towards contribution to attainment of universal health coverage by 2022:	emergency and trauma care	Emergency and trauma care	
		No. of clients receiving new specialized services	• Cancer screening, counselling, palliative care,	1192
		No. of contracts with private health insurance	• Signed contracts	Signed contracts with Britam, AON, Kenya Alliance and Jubilee Insurance
Health Products, Vaccines and Technologies		% prescription fill rate	Availability of HPTs	50%
Human Resources for Health	To strengthen the HRH management towards improved health outcomes at NTRH.	• % compliance of staff returns to the approved staff establishment	Staff returns	99.9
		No. of departments with work plan	Preparation of work plan	2
		No. of staff with performance targets based on departmental work plans	Setting of performance targets	23

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Health Infrastructure	To expand and improve the NTRH physical infrastructure for ease of access to health services and to attain the level 5 facility status	Completed renovation against target areas	Renovations	Renovation of empower clinic, Haemophilia clinic, OPD-Radiology walkways and NHIF front office
		New installations in place	Installation	Laying of Fibre optic network Installation of CCU equipment (Ventilators, Patient monitors) Purchased 80 medical oxygen cylinders
Health Information	To establish health information system for ready access of information for decision making	No. of offices networked	Networking of offices	
		No. of desktop computers or laptops	Installation of desktop computers	54
Health Financing	Provide resource adequacy to achieve the hospital's health delivery mandate.	Amount of revenue generated through NHIF		Kshs. 110,592,652
		% increase in revenue collected after automation		44%
		% increase of new NHIF clients		22%

VI. CORPORATE GOVERNANCE STATEMENT

During the period under review the board of management was not in place since the lapse of the immediate former board.

VII. MANAGEMENT DISCUSSION AND ANALYSIS

Clinical/operational performance

Table 1: Summary of OPD Attendance for the FY 2021/2022

OPD Attendance	Q1	Q2	Q3	Q4	Total
Over 5	40,530	28,755	34,987	34,931	139,203
Under 5	9467	9,114	9,042	7770	35,393
Casualty/Emergency department	934	708	767	987	3,396
Totals	50,931	38,577	44,796	43,688	177,992

Table 2: Summary of inpatient for the FY 2021/2022 (Q1)

Wards	Beds	Cots	Admissions	Discharges	Deaths	Absconders
Medical ward Male	31		199	154	39	2
Medical ward Female	30		200	173	26	
Maternity Ward	50		1064	1038	0	
Labour Ward	0		0	0	0	
Paediatric Ward	27	2	254	243	1	
Nursery/Neonatal Ward	16	8	241	207	11	
Surgical paediatric	6		52	40	1	
Surgical Female	7		42	41	2	
Surgical Male	15		121	112	3	
Gynaecology Ward	8		242	236	0	
Orthopaedic Ward	0		0	0	0	
Other Wards	52		132	80	36	
TOTALS	242	10	2547	2324	119	2

Table 3: Summary of inpatient for the FY 2021/2022 (Q2)

Wards	Beds	Cots	Admissions	Discharges	Deaths	Absconders
Medical ward Male	31		201	174	36	
Medical ward Female	30		164	140	29	
Maternity Ward	50		927	924	1	
Labour Ward						
Paediatric Ward	27	2	193	195	13	
Nursery/Neonatal Ward	16	8	226	218	10	
Surgical paediatric	6		49	47	1	
Surgical Female	7		55	43	3	
Surgical Male	15		131	117	5	1
Gynacology Ward	8		210	208	1	

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Orthopaedic Ward						
Other Wards	52		75	11	12	1
TOTALS	242	10	2231	2077	111	2

Table 4: Summary of inpatient for the FY 2021/2022 (Q3)

Wards	Beds	Cots	Admissions	Discharges	Deaths	Absconders
Medical ward Male	31		224	177	42	
Medical ward Female	30		173	152	29	
Maternity Ward	50		995	1001		
Labour Ward						
Paediatric Ward	27	2	209	230	12	
Nursery/Neonatal Ward	16	8	207	184	13	
Surgical paediatric	6		38	48		
Surgical Female	7		57	49	6	
Surgical Male	15		126	109	6	2
Gynaecology Ward	8		204	198		
Orthopaedic Ward						
Other Wards	52		43	45	18	
TOTALS	242	10	2276	2193	126	2

Table 5: Summary of inpatient for the FY 2021/2022 (Q4)

Wards	Beds	Cots	Admissions	Discharges	Deaths	Absconders
Medical ward Male	31		187	148	20	4
Medical ward Female	30		154	137	15	
Maternity Ward	50		1037	1018	2	1
Labour Ward						
Paediatric Ward	27	2	154	152	4	
Nursery/Neonatal Ward	16	8	225	215	12	
Surgical paediatric	6		52	49		
Surgical Female	7		48	39	6	
Surgical Male	15		133	115	8	
Gynaecology Ward	8		169	165	2	1
Orthopaedic Ward						
Other Wards	52		57	35	11	
TOTALS	242	10	2216	2073	80	6

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Table 6: Summary of key indicators for the FY 2021/2022

Indicator	Q1	Q2	Q3	Q4	Average
Average length of stay (Days)	6	7	7	4	6
Bed Occupancy rate (%)	68	69	73	71	70.3
Mortality rate (%)	3.70	3.80	4.30	3.50	3.8

Table 7: Summary of surgical theatre utilization for the FY 2021/2022

	Q1	Q2	Q3	Q4	Totals
Minor surgeries operated	44	50	16	150	260
Emergencies Operated	252	261	273	199	985
Cold surgical cases	94	3	21	59	177
Major surgeries Operated	328	322	353	252	1255
Caesarian Sections	227	232	260	248	967
Totals	945	868	923	908	3644

Table 8: Specialized Clinics attendance summary for the FY 2021/2022

Specialized Clinic	New clients	Re-visits	Totals
ENT Clinic Attendance	5061	2099	7160
Eye Clinic Attendance	2659	5964	8623
TB and Leprosy attendance	157	1960	2117
Comprehensive Care Clinic (CCC)	121	22126	22247
Psychiatry Attendance	164	1225	1389
Orthopaedic Clinic Attendance	901	522	1423
Occupational Therapy Attendance	142	453	595
Physiotherapy Attendance	800	920	1720
Medical Attendance	395	1482	1877
Surgical Clinics attendances	360	892	1252
Paediatrics attendances	225	846	1071
Obstetrics/Gynaecology Attendance	701	1424	2125
Nutrition Clinic	1971	6824	8795
Oncology Clinic	-	-	-
Renal Clinic	15	231	246
All other special clinics attendance	180	370	550
Totals	13852	47338	61190



Dr. Sammy Kilonzo

Chief Executive Officer- Nanyuki Teaching & Referral Hospital



VIII. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The hospital is in the process of developing a comprehensive environmental policy. However, there are a number of activities that have been undertaken in order to promote sustainability as outlined below.

Environmental performance

About 1000 fruit trees were planted in the hospital green areas. Waste management practices and processes were established with all medical waste from surrounding facilities both private and public incinerated at the hospital's incinerator. Efforts were made to have designated green areas, conserve water and also minimize energy wastage. A baseline assessment for installation of solar system was undertaken with a view to reduce energy costs for the institution.

i) Employee welfare

The hospital has an established HR recruitment and management policy outlining diversity and equality, fair compensation and disciplinary processes as guided by the relevant legislations and policies. A staff appraisal(icoms®) and reward systems were in place.

ii) Market place practices-

a) Responsible competition practice.

The hospital has zero tolerance to corruption. The hospital collaborates with other health institutions on different areas to ensure continuity of care. For instance; patients referrals, consultations and trainings.

b) Responsible Supply chain and supplier relations

The institution adheres to Public Procurement and Asset Disposal Act (PPDA), 2015 and Public Finance Management Act, 2012.

c) Responsible marketing and advertisement

The hospital has an active communication unit and a vibrant social media presence

iii) Corporate Social Responsibility / Community Engagements

A number of CSR activities were undertaken during the financial year including medical camps, free cervical and prostate cancer screening.

IX. REPORT OF THE BOARD OF MANAGEMENT

During the period under review the board of management was not in place since the lapse of the immediate former board.

X. STATEMENT OF BOARD OF MANAGEMENT'S RESPONSIBILITIES

Section 164 of the Public Finance Management Act, 2012 requires the Accounting Officer to prepare financial statements in respect of Nanyuki Teaching and Referral Hospital, which give a true and fair view of the state of affairs of the Nanyuki Teaching and Referral Hospital at the end of the financial year 2021/22 and the operating results of the for the Nanyuki Teaching and Referral Hospital FY 2021/22. The Accounting Officer is also required to ensure that the Nanyuki Teaching and Referral Hospital keeps proper accounting records which disclose with reasonable accuracy the financial position of the Nanyuki Teaching and Referral Hospital. The council members are also responsible for safeguarding the assets of the. Nanyuki Teaching and Referral Hospital

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

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

Nothing has come to the attention of the Accounting Officer to indicate that the Nanyuki Teaching and Referral 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 on 15th November 2023 and signed by



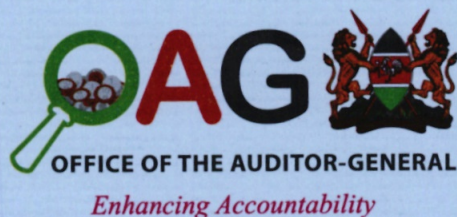
Dr. Sammy Kilonzo

Chief Executive Officer- Nanyuki Teaching & Referral Hospital



REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON NANYUKI TEACHING AND REFERRAL HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2022 – COUNTY GOVERNMENT OF LAIKIPIA

PREAMBLE

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

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

Adverse Opinion

I have audited the accompanying financial statements of Nanyuki Teaching and Referral Hospital – County Government of Laikipia set out on pages 1 to 26, which comprise of the

Report of the Auditor-General on Nanyuki Teaching and Referral Hospital for the year ended 30 June, 2022 – County Government of Laikipia

statement of financial position as at 30 June, 2022 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of Nanyuki Teaching and Referral Hospital – County Government of Laikipia 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 do not comply with the Public Finance Management Act, 2012, the County Governments Act, 2012, the Health Act, 2017 and the Laikipia Health Services Act, 2014.

Basis for Adverse Opinion

1. Unconfirmed Revenue

The statement of financial performance reflects total revenue of Kshs.577,724,190. The following unsatisfactory observations were made.

- i. Review of the Laikipia County Government's programme-based annual estimates for the year ended 30 June, 2022 as well as the County's Department of Health's vote book indicated voted expenditure of Kshs.150,191,123. However, the transfers to Laikipia County Facilities Improvement Fund (FIF) bank account for utilization by the Hospital were not disclosed in the statement of financial performance.
- ii. The Laikipia County Facilities Improvement Fund (FIF) bank statement and cash book for the CBK bank account revealed that the County was operating a single cash book for several entities with receipts amounting to Kshs.659,104,659. As a result, the specific transfers from the County Government to Nanyuki Teaching and Referral Hospital could not be confirmed. Further, the supporting documents and detailed schedules of facility-specific exchequer releases were also not provided for review.
- iii. Revenue records provided indicated that Nanyuki Teaching and Referral Hospital (NTRH) offered services and collected Kshs.206,675,380 net of waivers and exemptions of Kshs.673,993. The collections were remitted to the County Revenue Fund (CRF) and was not disclosed in the financial statements as revenue from exchange transactions nor were the transfers supported by evidence of receipt in CRF bank statements. Further, details of the waivers and exemptions including patients'

names, reasons for exemptions and policy guiding the exemptions, were not provided for audit review.

- iv. The outpatient waivers of Kshs.673,993 as per the revenue report varied with the manual schedule of waivers provided of Kshs.560,069 by Kshs.113,934 which had not been explained or reconciled.
- v. Included in the own generated revenue of Kshs.206,675,380 is an amount of Kshs.3,859,174 in respect of payments by insurance companies. However, the revenue differed with the system and insurance company reports as detailed below.

Insurance Company	Revenue Report Amount	Revenue as per Funsoft System	Revenue as Per Insurance Statement	Variance	Variance
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
	(A)	(B)	(C)	A-B	A-C
AON Minet	1,633,635	1,718,648	224,502	(85,013)	1,409,133
Britam	62,843	109,170	1,900,968	(46,327)	(1,838,125)
Kenyan Alliance	2,149,895	0	0	2,149,895	2,149,895
Jubilee	12,801	50,933	44,645	(38,132)	(31,844)
Total	3,859,174	1,878,751	2,170,115	1,980,423	1,689,059

The variances between the different set of information provided was not explained.

- vi. During verification of store items and analysis of data from KEMSA, it was observed that program drugs/donations were received for use in the Comprehensive Care Clinic (CCC) which is run by United States Agency for International Development (USAID) and handles HIV patients, the chest clinic which handles Tuberculosis patients as well as other departments in the Hospital. However, the program commodities/donations with a total value of Kshs.34,436,234 as per the Kenya Medical Supplies Agency (KEMSA) data was not disclosed as revenue in the financial statements.
- vii. In addition, during the physical inspection of the Hospital, a kiosk was noted to be operating in the Hospital precincts. However, the rent/lease agreement indicating the lessee, rent charges and terms of the lease were not provided for audit nor rent collected disclosed in the financial statements.

In the circumstances, the accuracy and completeness of the total revenues of Kshs.577,724,190 could not be confirmed.

2. Unconfirmed Expenditure

The statement of financial performance reflects amounts of Kshs.54,491,384, Kshs.8,713,298 and Kshs.50,261,350 in respect of medical/ clinical costs, repairs and maintenance and general expenses all totalling Kshs.113,466,032. However, the amount varied with the expenditure as per cash book of Kshs.124,884,591 by Kshs.11,418,559 which has not been explained or reconciled. Further, the expenditure of Kshs.113,466,032 varied with Integrated Financial Management Information Systems (IFMIS) payments extract for the Hospital of Kshs.136,343,265 by an unexplained and unreconciled variance of Kshs.22,877,233.

In the circumstances, the accuracy of the Hospital's expenditure of Kshs.113,466,032 could not be confirmed.

3. Variances in the Cash and Cash Equivalents Balance

The statement of financial position reflects cash and cash equivalents balance of Kshs.748,386 as disclosed under Note 6 to the financial statements. The balance includes Kshs.747,716 in respect of cash in hand KCB account being the M-Pesa transactional account. However, M-Pesa statements indicated a balance of Kshs.6,250 resulting into an unexplained and unreconciled variance of Kshs.741,466.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.748,386 balance could not be confirmed.

4. Non-Disclosure of Inventory Balance

The statement of financial position reflects inventory balance of Kshs.103,420,479 as disclosed under Note 8 to the financial statements. However, audit review of inventory records indicated that the stock balance was supported by a stock listing /schedules from various departments. However, the Management did not produce for review a stock certificate and letters of appointment of the board of survey team that undertook the stock take. Further, no reconciliation of the physical stock-take balances with balances as per the store records (bin cards) was done to confirm the accuracy of the stock take quantities.

In the circumstances, the accuracy, existence and completeness of the inventory balance of Kshs.103,420,479 could not be confirmed.

5. Unconfirmed Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions of Kshs.21,357,073 as disclosed under Note 7 to the financial statements. Included in this balance is Kshs.16,736,547 in respect of National Hospital Insurance Fund (NHIF) receivables. However, records on claims payable to the hospital from NHIF indicated that the

Fund owed the Hospital an amount of Kshs.8,674,791 as at 30 June, 2022 resulting to a variance of Kshs.8,061,756 which has not been explained or reconciled. Further, the accumulated bills for the patients that were in the Hospital as at 30 June 2022 and who had not been billed were not included in the amount of receivables.

In the circumstances, the accuracy and completeness of receivables balance of Kshs.21,357,073 could not be confirmed.

6. Undisclosed Property, Plant and Equipment Balance

The statement of financial position reflects Nil balance in respect of property, plant and equipment. However, Management provided a list of assets held by the Hospital as at 30 June, 2022 whose values was however not included. The explanatory notes to the statement of financial position asserts that assets and liabilities had not been presented since the Hospital was in the transition phase of adopting IPSAS accrual and had not finalized on measurement of assets and liabilities. However, paragraph 2 of Note XVII on Significant Accounting Policies indicated that the financial statements have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS) Accrual. This was contrary to Paragraph 28 of International Public Sector Accounting Standards (IPSAS) 33 which states that an entity opting to exempt itself from presenting PPE in the financial statements affects the fair presentation of a first-time adopter's financial statements and its ability to assert compliance in accordance with IPSAS accrual.

Further, audit review and inspection of the Information Systems environment indicated that the Hospital owned a health information ERP system (Funsoft I - Health Information System), which in use for management of Hospital operations.

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

7. Undisclosed Trade and Other Payables Balance

The statement of financial position reflects trade and other payables balance of Kshs.112,644,637. Audit analysis of the list provided indicated that bills totalling Kshs.78,324,637 originated from the 2019/2020 and 2020/2021 financial year whereas bills amounting to Kshs.3,835,550 did not have details of the year they were incurred.

In addition, the salaries and wages for permanent staff of Kshs.243,644,020 which was in arrears as a result of return-to-work framework agreement between the County Government of Laikipia, County Public Service Board and Kenya Medical Practitioners and Dentists Union (KMPDU) were not disclosed as pending bills neither by the Hospital nor the County Government of Laikipia.

In the circumstances, the accuracy and completeness of trade and other payables balance of Kshs.112,644,637 could not be confirmed.

8. Inaccurate Disclosure in Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects revenue final budget and actual on comparable basis both of Kshs.577,724,190 which is also equal to expenditure budget and actual on comparable basis. However, audit review of IFMIS vote book indicated a final budget of Kshs.160,757,133 and total payments and commitments of Kshs.177,632,170 resulting to an over expenditure of Kshs.16,880,037. The management did not explain the variance between the balances disclosed in the statement of comparison of budget and actual amounts and the amounts as per the IFMIS vote report.

In the circumstances, the accuracy of the statement of comparison of budget and actual amounts could not be confirmed.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Nanyuki Teaching and Referral Hospital Management in accordance with ISSAI 130 on the 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 adverse opinion.

Emphasis of Matter

NHIF - National Capitation Cover Deficiency

Audit of revenue records for the year under review indicated that the Hospital received a capitation of Kshs.30,311,200 from the NHIF in respect of National Capitation Cover. However, the Hospital provided services valued at Kshs.320,516,488 to the patients under this cover resulting in a cover deficiency of Kshs.290,205,288. The cover deficiency may affect sustainability of services by the facility which is dependent on continued funding by the County Government of Laikipia.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Hospital's Name Misnomer

Review of the gazette notice number 9811 of 10 July, 2012 indicated that the Hospital's name was changed from a district hospital to a teaching and referral hospital. However, inspection of the facility and discussions held with Management revealed that the Hospital did not hold

a teaching status since the planned Nanyuki Kenya Medical Training College that had been envisioned was not in operation and in any case, only had four classrooms that were not in use. Further, there was no evidence of a medical training college license or approval to warrant the use of term “Teaching” as part of the Hospital’s name. These facts have not been disclosed in the financial statements. In the circumstances, the Hospital’s name is a misnomer may be misleading to the stakeholders.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Late Submission of Financial Statements

The Management of Nanyuki Teaching and Referral Hospital submitted the financial statements for the year ended 30 June, 2022 to the Office of the Auditor-General on 06 December, 2023, more than fourteen (14) months after the statutory deadline of 30 September, 2022 contrary to Section 149(2)(k) of the Public Finance Management Act, 2012 which states, *inter alia*, that an Accounting Officer shall, in respect of the entity concerned, not later than three months after the end of each financial year, prepare annual financial statements for that financial year and submit them to the Auditor-General for audit, with a copy to the County Treasury.

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

2. Non-Disclosure of Waivers

Records provided for audit indicated that the Hospital issued waivers amounting to Kshs.11,502,231. The waivers were given to patients following application for waivers, review and vetting of the patient by the social worker and approval of the waivers by the Waiver Committee. However, the waivers were recommended by the social worker without a well-designed review model for determining the need by the patient and was therefore not objective. Further, there was no evidence that the waivers were authorized by the County Executive Member for Finance as required by Section 159 of the Public Finance Management Act, 2012 which states that the County Executive Committee Member for Finance may waive a county tax, fee or charge imposed by the county government and its entities in accordance with criteria prescribed in regulations.

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In addition, the waiver schedule did not indicate the patients original bill before waivers and were not disclosed in the financial statements as part of revenue from rendering of services

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

3. Lack of Authority to Open Bank Accounts

Review of the financial statements and bank accounts revealed that the Hospital had three (3) bank accounts held at Kenya Commercial Bank, Family Bank of Kenya and Equity Bank. However, the Hospital's Management did not provide the authority to open the bank accounts as required by Section 119(1) of the Public Finance Management Act, 2012, which empowers the County Treasury to authorize, open, operate and close bank accounts for the county government and its entities.

Further audit review of the cash book provided for audit indicated that the Hospital did not have a separate cash book for posting the expenditure once incurred and one bank account was in used by all the Hospital facilities in Laikipia County and all the hospital budgets funding and payments were processed through this account distorting audit trail of expenses incurred by the Hospital and therefore consequently causing commingling of funds.

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

4. Idle Assets

During a physical verification undertaken in the month of April, 2024, the following assets had not been in use since acquisition and Management did not provide an explanation.

- i. Sixty-one (61) beds, eleven (11) delivery coaches, nine (9) CTG machines and mattresses in the maternity ward-first floor were poorly stored and were lying idle.
- ii. The Maternity theatre was non-functional because it was not equipped.

In the circumstances, the Hospital may not have achieved value for money used to acquire the assets.

5. Failure to Fully Utilize Funsoft I-HMIS System Modules

Review of the Funsoft Integrated-Health Management Information System (I-HMIS) Manual, 2020 as provided by Management for review revealed that the system has ten (10) different modules. However, it was observed that.

- i) For non-pharmaceuticals and expired drugs, the Hospital used a manual inventory management system.

- ii) The care stations management module at the pharmaceutical store did not provide details of the item being reconciled and therefore verification of the reconciled items could not be done.
- iii) The laboratory did not utilize the inventory module and only utilized the billing module.
- iv) Interviews with the head of ICT management and other users of the system indicated that no staff has been trained by the system vendor on the system use and all staff have learned through peer and on job training.
- v) The Management did not provide reports to confirm used of the following modules.
 - a. Funsoft Clinicals Modules (Nursing, Doctors and Theatre).
 - b. Funsoft Care stations management module (Laboratory, Pharmacy, Radiology, Dental, Therapy Stations, Eye, ENT, Nutrition and other clinics).
 - c. Farewell Home Management.
 - d. Funsoft Asset and Fleet Management module.
 - e. Funsoft Accounting and Financial Management Module (Chart of Accounts, User Fee Manuals, Trial Balance, Balance Sheet, Cash Flow, Statements for Debtors and Creditors, Treasury management and Financial Reporting).

In the circumstances, the Hospital may not have achieved value for money used to acquire the assets.

6. Services Offered Without Valid Operating Licenses

The Hospital was registered as a Level 4 public medical institution under serial number GK-013057 on 15 August, 2017. However, review of the Hospital's license to operate as a public medical institution provided for audit revealed that the Hospital has been operating for over 6 years without a valid license. This is contrary to the Medical Practitioners and Dentists Act, 2021 Section 15(11) which states that no premise shall be used by any person as a health institution unless it is registered and licensed for such use by the Council. The Management explained that the license costs are too high but a review of the KMPDC licensing fees revealed that Public Health Facilities are charged nil (zero) fee for the Facility License. Further, valid licenses for radiology and pharmacy services were not provided for audit review.

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

7. Governance - Facility/Hospital Operating Without a Board

Review of the governance structure of the Hospital revealed that the facility has been operating without a Board of Management. An interview with the Management revealed that

the last board meeting was held in June 2021. This is contrary to Section 9(1) of the Laikipia County Health Services Act, 2014 which states that a County and a Sub-County Hospital shall be governed by a Board appointed by the Executive Member (of Health) and approved by the Governor.

Further, discussions held with Management indicated that the Hospital Management Team (comprising of heads of departments) was the body that undertook governance roles during the period under audit. However, the Management did not provide evidence of official appointment letters and duties, roles and responsibilities to be undertaken by the team.

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

8. Irregular Procurement of Pharmaceutical and Non-Pharmaceutical Supplies

The statement of financial performance reflects medical/clinical costs of Kshs.54,491,384 out of which Kshs.33,208,278 is in respect of pharmaceutical and non-pharmaceutical supplies available from Kenya Medical Supplies Authority (KEMSA). Review of the procurement processes indicated that the Hospital maintained a list of suppliers engaged with framework contracts for supply of pharmaceutical and non-pharmaceutical supplies. The suppliers we recruited and engaged at the County Headquarters level and the same was in use by the Hospital. The following observations were made on review of the initiation (user request), processing and ordering of the supplies by the Hospital.

- i. The Hospital procured all the pharmaceutical and non-pharmaceutical supplies from other suppliers instead of KEMSA. The procurements were not supported by evidence of the non-availability of the supplies from KEMSA. This is contrary to the law before the supplies are done.
- ii. The Hospital Management did not have a clear process of the role of the pharm and non-pharm supplies users, procurement officers and stores officers in the procurement process. This resulted in overlapping roles with users making orders and being involved in issuing the supplies.
- iii. Review of local purchase orders indicated that the Hospital issued manual orders not captured in IFMIS.

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

9. Mismanagement of Expired Drugs

Review of records and physical inspection of the store indicated existence of expired medical supplies (PMC Injection) that had been kept away from other drugs in boxes but still in the store whose value was not provided

Further, there was no documented policy on detection/identification, storage and destruction of expired pharmaceutical products that would produce toxins and expose staff to side effects. No value provided for the expired drugs and the dates received.

In addition, it was established that the inventory module of Funsoft the Hospital's ERP system had the capability and provision for capturing the drugs batch numbers, date of manufacture and expiry date for tracking of drugs. However, the information was not being captured as required rendering the system ineffective in detecting, warning and identifying the expiry of drugs held in stock by the Hospital. This was contrary to Section 163(1) of Public Procurement and Asset Disposal Act, 2015, which states that an accounting officer shall establish a disposal committee as and when prescribed for the purpose of disposal of unserviceable, obsolete, obsolescent, or surplus stores, equipment or assets.

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

10. Anomalies in Laboratory Operations and Management

Physical verification undertaken at the Facility's laboratory in April 2024 revealed poor internal control of medical supplies and equipment contrary to Section 162(1) of the Public Procurement and Asset Disposal Act, 2015 stating that an accounting officer of a procuring entity shall ensure that all inventory, stores and assets purchased are received, but shall not be used until taken on charge and as a basis for ensuring that all procured items are properly accounted for and put in proper use as intended by the procuring entity, as follows.

- i. The Funsoft system inventory management module is not in use for stock management in the laboratory and manual records are maintained (bin cards).
- ii. Seven (7) fridges which contained laboratory reagents were not traced in the stock take report were physically available in the laboratory.
- iii. Review of the bin cards against the actual balances revealed variances as detailed below.

S/No.	Lab Items	Bin Card	Count	Variance
1	Purple tops (100 pieces)	188	172	(16)
2	Red tops (100 pieces)	54	67	(13)
3	Salmonela Ag	107	45	(62)

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

11. Anomalies in Pharmacy Operations

Verification and review of the records and physical verification at the Hospital pharmacy in April 2024 to check compliance with Section 162 (1) of the Public Procurement and Asset

Disposal Act, 2015 stating that an accounting officer of a procuring entity shall ensure that all inventory, stores and assets purchased are received, but shall not be used until taken on charge and as a basis for ensuring that all procured items are properly accounted for and put in proper use as intended by the procuring entity indicated the following observations.

- i. The staff, including the Hospital ICT, do not have a comprehensive understanding of the pharmacy module. Receipt of transfer from the main store could not be verified as the pharmacy staff were unable to generate transfer reports from the inventory management module.
- ii. The Pharmacy did not have a serialized catalogue for easy identification of drugs in the shelves.
- iii. The pharmacy had a leaking roof which compromises the state of the drugs stored.
- iv. The pharmacy had poor access controls. The door was not fully locked and non-pharmacy staff could walk in and
- v. Prescriptions were often manually keyed into the system from manual copies of prescriptions which in the pharmacy, thus, cutting off audit trail: ability to match dispensed drugs to the prescriptions.
- vi. The Management did not provide an inventory movement schedule and the prescriptions report for comparison to ensure all issues from the pharmacy were as a result of prescriptions and not through pilferage.
- vii. Review of the balances in the system against the physical count revealed variances as detailed below.

S/No.	Pharmaceuticals	System	Count	Variance
1	Amoxillain 250mg	3800	3830	30
2	Artane 5mg	2000	2420	420

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

12. Failure to Comply with Pharmacy and Poisons Rules

Physical observation and discussions held with Management indicated that the Hospital did not have a documented policy of handling, management (receipt, issue and dispensing) and custody of controlled drugs(poisons) as provided by the Pharmacy and Poisons Rules.

The Management did not provide a list of Part I poisons in the custody of the pharmacist contrary to the Pharmacy and Poisons Rules 13 on Safe Custody of Poisons which states that (1) No person engaged in a trade, business or profession shall knowingly have in his possession or under his control a poison, unless the following conditions are complied with at all times when the poison is not in actual use - (a) the poison shall be kept under lock and

key (i) in a separate room or compartment specially reserved for keeping poisons and partitioned off from the rest of the premises; or (ii) in a cupboard, box or other receptacle specially reserved for keeping poisons, clearly marked with the words "Poisons Only", and kept in a place apart from anything containing food or drink. (b) the poison shall be kept in a place ordinarily accessible only to persons lawfully having access thereto; (c) the key of the room, compartment, cupboard, box or other receptacle in which poisons are kept shall be retained under the control of the person in charge of the poison.

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

13. Improper Casuals Engagement

The statement of financial performance reflects employee costs of Kshs.464,258,158 out of which Kshs.52,885,936 is in respect of salaries, wages and allowances temporary employees (casuals). Audit review of casuals' records indicated that the Hospital engaged casuals with three (3) months renewable contracts which had been renewed for periods ranging from 1 to 8 years. This is contrary to Employment Act Cap 226 Section 37. Conversion of casual employment to term contract (1) which states that, notwithstanding any provisions of this Act, where a casual employee (a) works for a period or a number of continuous working days which amount in the aggregate to the equivalent of not less than one month. Audit examinations of casual records indicated the following.

- i. The salaries and wages – temporary employees of Kshs.52,885,936 varied with the IFMIS extract of payments details in respect of compensation of casuals of Kshs.22,877,233 by Kshs.30,008,703 which has not been explained or reconciled.
- ii. Discussions with Management indicated that there was no documented and approved casual engagement policy, framework or manual. In the absence of the policies new staff were to positions held by long serving casuals with the required qualifications. This is an indication of unfair and discriminatory practice by the county public service board which could lead to demotivation and low morale resulting in non-delivery of services.
- iii. The Management did not provide an approved salary structure for engagement of casuals approved by the County Public Service Board and therefore prescribed and fixed the casuals salaries contrary to the law.
- iv. The casuals list provided indicated that they were posted to key and sensitive roles in the Hospital including post of clinical officers, medical officers, nurses, ICT officer, billing officers, revenue clerks, stores man/woman, NHIF clerks, and radiographer. Posting of casuals in key and sensitive hospital departments/sections exposes the provision of services to a major threat of discontinuation of services.

In the circumstances, the Management contravened the law and exposed the Hospital operations to interruptions by casuals with three months contract holding key roles in the hospital.

13. Non-Compliance with Affirmative Action on Gender, Ethnicity and Regional Distribution

Audit review of the IPPD payroll provided in support of the salaries and wages expenditure indicated that out of one hundred and eight-eight (188) staff members paid through the Integrated Payroll and Personnel Database (IPPD), one hundred and thirty-nine (139) or 74% were female while only forty-nine (49) or 26% were male. In addition, one hundred and twelve (112) or 60% came from only one ethnic tribe contrary to the constitution. The gender, ethnicity and regional distribution of staff on casual engagement was not provided for audit review.

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

14. Staff in Acting Roles for More than the Stipulated Period

Review of personnel files indicated that the Head of Corporate Services, Chief Executive Officer, Head of Clinical Services and the Nursing Manager have been acting for periods exceeding 6 months. Management did not provide details on why the officer continued in the post in an acting capacity without confirmation for over thirty (30) months contrary to Section C.14(1) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which states, *inter alia*, acting allowance will not be payable to an officer for more than six (6) months. Further, no evidence was provided to show payment of acting allowance or intention through advertisement of filling the post substantively.

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

15. Unsafe Storage of Flammable and Corrosive Supplies

Audit inspection of the main store indicated that highly flammable liquids like methanol, ethanol, surgical spirit were stored together and close to non-flammable store items. The international hazard symbols were also not displayed. There was no evidence that the Hospital complied with the Fire Reduction Rules 2007.

In addition, corrosive items like potassium hydrogen and methanol were not stored in steel cabinets to prevent leakage in contravention of Section 4 of the Occupation Health and Safety Act, No.15 of 2007, which states that a person wishing to set up or operate a facility for the use on or storage of highly flammable substances shall ensure that such facility is in the designated area.

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

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

the activities, financial transactions and information reflected in the financial statements comply 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Lack of Policy Documents

Review of information, documents and discussions held with Management and staff of departments indicated that the facility did not have a risk management policy, stores management policy, ICT policy, procurement policy, assets management and safeguard policy and the relevant manuals for its operations. Management and staff therefore innovated and implemented their own undocumented processes and procedures for various operations that were not guided by approved policies and manuals.

In the circumstances, the effectiveness of operational processes and procedures geared towards provision of health services in the facility could not be confirmed.

2. Lack of Essential Medicines at the Facility

Audit comparison of the Kenya Quality Model for Health (KQMH) list of essential medicines as required for the level 4 hospitals, against what was in stock held by the hospital indicated that some essentials medicines were not stocked contrary to Appendix 2 of the Ministry of Health's Checklist for Assessing Quality of Healthcare on Essential Medicines which stipulates the medicines that must be available in the Level 4 hospitals in Kenya, as in the table below:-

S/No.	Level 4 Facility - Essential Medicines	Status
1	Tab Artemisinin lumefantrine	Not Stocked
2	Tab Cotrimoxazole	Not Stocked

The management did not provide an explanation on why the Hospital had not stocked the essential drugs or indicated the alternatives drugs stocked in place of the requirement.

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In the circumstances, the hospital's status as a Level 4 hospital was in doubt required funding and investment to attain/qualify as a level 4 facility.

3. Lack of a Business Continuity Plan and a Disaster Recovery Plan

Review of the Hospital's ICT environment as well as the Laikipia County Disaster Risk Management Policy, 2016, revealed that there was no formal approved IT Business Continuity Plan, data back up and retention strategy and Disaster Recovery Plan in place as at 30 June, 2022 to ensure that all its records, financial or otherwise kept in electronic form are adequately protected and backed up.

Interviews with the head of ICT and discussions with Management revealed that the back-up for the Hospital's ERP (Funsoft I-HMIS) is in a hard disk that is stored in an officer's desk drawer. Management indicated plans are underway to have the back-up stored at the Nyahururu County Referral Hospital, but this had not been implemented as at the time of audit.

In the circumstances, the Hospital is exposed to interruptions and discontinuation of the much-needed services to citizens in case of a disaster.

4. Improper Management of Property, Plant and Equipment

Audit review of the list of assets provided, physical verification and discussions held with Management indicated the following observations.

- i) The listing of non-current assets did not include/disclose the assets' date of acquisition, cost at acquisition, custodian, assets status (serviceable, unserviceable or bonded), equipment model/serial numbers, assets' tag number and the assets' location which are basic asset register requirements.
- ii) The following assets were omitted from the asset listing:
 - a. Land (approximately 45 acres as per management representation).
 - b. ICU Building/block with eight (8) beds, four (4) ventilators and one (1) refrigerator.
 - c. Seven (7) fridges in the laboratory.
 - d. Sixteen (16) beds in High dependency unit (HDU).
 - e. 4 Refrigerators in the pharmaceutical main store.
 - f. One X-RAY machine, one anesthetic machine and an X-RAY viewer in the emergency department/block.
 - g. Water dispenser and two (2) beds in the amenity department/block.

- iii) Management asserted that valuation of assets was being done to establish estimated values. However, the audit noted that assets acquired in the year which did not require valuation, did not have values in the asset listing provided.
- iv) There was no evidence provided that the assets held by the hospital had been insured against any peril that they are exposed to including fire, burglary and natural disaster among others.

The Hospital's internal controls on management of assets are weak and may result in mismanagement and loss of public assets.

5. Weakness in Kitchen Inventory Controls

The statement of financial performance reflects medical and clinical costs of Kshs.54,491,384 out of which Kshs.12,975,003 is for food and ration. Audit inspection of the food stuff store and review of documents and information maintained in respect of the food stuff was done in April 2024 and the following observations were made;

- i. The Hospital did not have a documented policy of issue and management of food stock items being unique stores whose issue and management is dependent on number and composition of patients; nutritional needs of patients as would be prescribed by the nutritionist and perishability of the stock.
- ii. Discussions held in store with the Management indicated that there was no documented ration rate for feeding patients for use to guide the kitchen requirement each day based on the patients in the facility and staff to be fed.
- iii. The store did not have a refrigerator for storing perishable food items (milk & meat) and these were issued directly to the kitchen on delivery.
- iv. The store had a manual weighing scale whose accuracy and efficiency could not be confirmed in the absence of evidence of inspection as required Weights and Measures Act Cap 513.

The anomalies noted were a clear indication of weakness in kitchen inventory controls that may result in pilferage and losses of kitchen stores.

6. Poor Record Keeping on National Health Insurance Fund - Supa Cover Services

Audit review of revenue records indicated that own generated revenue of Kshs.98,918,852 in respect of National Health Insurance Fund (NHIF) refunds includes Kshs.13,637,822 being Capitation National (super) cover. However, the Management did not provide details of all patients served under this cover for confirmation that they were registered and eligible for free services from the Hospital.

Further, audit review of the process of registering and service patients under Capitation National (super) cover indicated the following;

- i. The patients were registered for free services by the registration clerks who were also confirming the status of the patient from the NHIF records. This created a gap where registration clerks could permit unregistered members to obtain services since there was no authorization or confirmation of the same.
- ii. The CHIMS was not integrated with the NHIF system to allow automated confirmation of Capitation National (super) cover.
- iii. The Management did not have a post approval process to confirm that patients that had been permitted to access free services under this cover were actually eligible.

In the circumstances, the internal controls on provision of services to patients under NHIF Supra cover were weak and may lead to losses.

7. Variances in Bin Card Balances and Actual Stocks

During physical verification of the main stores in April 2024 a comparison of the final stocks in the bin cards as at the date of verification against the actual stock in the shelves indicated variances of pharmaceuticals stocks as detailed below.

S/No.	Pharma/Non-pharmaceuticals	Bin Card	Count	Variance
1	Disposable Syringes (100 pieces) - 2ml	2400	1800	(600)
2	Disposable Syringes (100 pieces) - 5ml	586	83	(503)
3	Disposable Syringes (80 pieces) - 20ml	115	106	(9)
4	Alcohol pads (200 pieces)	618	1208	590
5	Purple Branuler (plus flon)	5450	5800	350
6	Ifas-Ferrous Sulphate:Folic Acid	507	490	-17
7	Nifedipine 20mg per tab	690	530	-160

The variances were not explained nor reconciled.

The anomalies are an indication of weak internal controls that may lead to loss of pharmaceutical stocks.

8. Lack of an Inventory Management System

Audit review of store records and discussions held with Management indicated that the Hospital's main store does not have an inventory management system and maintained manual records for requisitioning, ordering, receipting controlling and issuing of stores. The Hospital owned and operated check hospital information management system which has an inventory management module in use at the pharmacy. However, the system was not in use

at the Hospital's main store. The absence of the inventory management system resulted in the following control weaknesses;

There was no documented inventory management manual.

- i. The stores did not have a formal way of identifying and tracing expired drugs.
- ii. The Hospital did not have a way of establishing when pharmaceutical stocks were understocked and required reorders.
- iii. There were no documented reorder levels for various stocks.
- iv. Issues from the main stores to the pharmacy, laboratory and wards could not be tracked for accountability.
- v. The Hospital did not have detailed reports of various drugs utilization and dispensing requirement per period.
- vi. Unstructured procurement whose basis and quantities were not supported by any utilization and dispensing requirements.
- vii. There was no policy in respect of storage of high value items, separately and in a controlled area.

Further, the store did not have a documented catalogue detailing all the inventory in the store and their locations of storage. The location of the drugs and other store items was only well known by the store staff. This is in contravention of Section 161 (1) of the Public Procurement and Asset Disposal Act, 2015, which requires an accounting officer of a procuring entity to set up an inventory management system which shall be managed by the head of the procurement function, for the purpose of control and managing its inventory, stores and assets.

In the circumstances, the facility is likely to incur losses prone to a manual inventory management system and therefore cause a likely loss of public resources.

9. Weaknesses in Vaccines Management

Records available from Ministry of Health Vaccine Centre indicate that the Hospital administered 20,717 different vaccines during the period under audit review.

However, the Management did not provide the vaccine management information including, number, details and source of vaccines received during the year, vaccines administered, details of recipients of the vaccines and the balances of the vaccines as at 30 June, 2022.

In the circumstances, the controls in respect of vaccines receipt and dispensing are weak and may lead to unaccounted for losses.

10. Failure to Procure a Professional Indemnity Cover

Audit review of records and discussions held with Management indicated that the Hospital had not obtained professional indemnity cover for the health facility and medical practitioners.

In the circumstances, the Hospital was exposed to litigation and material losses in the event of professional malpractice that would result in loss of public funds.

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

Responsibilities of the Management and Board of Management

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards Accrual Basis and for maintaining effective internal controls as the 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 going concern and using the going concern basis of accounting unless the Management is aware of the intention 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, the Hospital's Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and

obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the Management's use of 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 as a going concern or 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 to cease to continue as a going concern or to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Hospital to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal 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

05 July, 2024

Report of the Auditor-General on Nanyuki Teaching and Referral Hospital for the year ended 30 June, 2022 – County Government of Laikipia

*Nanyuki Teaching and Referral Hospital
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XIII: STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022

Description	Notes	2021/22
		Kshs.
Revenue from non-exchange transactions		
Transfers from the County Government		-
In-kind contributions from the County Government	1	577,724,190
Total Revenue from non-exchange transactions		577,724,190
Revenue from exchange transactions		
Total revenue		577,724,190
Expenses		
Medical/Clinical costs	2	(54,491,384)
Employee costs	3	(464,258,158)
Repairs and maintenance	4	(8,713,298)
General expenses	5	(50,261,350)
Total expenses		(577,724,190)
Other gains/losses		
Total other gains/(losses)		-
Surplus/(deficit) for the period		-

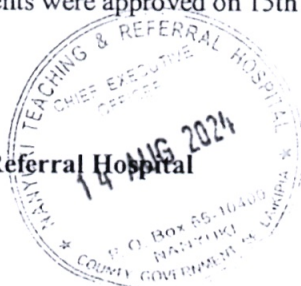
The entries in the Statement of Financial Performance for the FY 2021/22 are derived from the Audited Financial Statements of Laikipia County Executive for the FY 2021/22. The hospital has in accordance with IPSAS 33 opted for the transitional adoption of IPSAS accrual basis of financial statements presentation.

The notes set out on pages 21 to 25 form an integral part of the Annual Financial Statements

The Hospital's financial statements were approved on 15th November 2023 and signed by:



Dr. Sammy Kilonzo
CEO Nanyuki Teaching & Referral Hospital




CPA M Charles Ntojira
Health Department Accountant
ICPAK No:24072


XIV. STATEMENT OF FINANCIAL POSITION AS OF 30TH JUNE 2022

Description	Note	2021/22
		Kshs.
Assets		
Current assets		
Cash and cash equivalents	6	748,386.08
Receivables from exchange transactions	7	21,357,073.00
Inventories	8	103,420,478.67
Total Current Assets		125,525,937.75
Non-current assets		
Total Non-current Assets		-
Total assets		125,525,937.75
Liabilities		
Current liabilities		
Trade and other payables	9	112,644,637
Current portion of borrowings		-
Total Current Liabilities		112,644,637
Non-current liabilities		
Total Non-current liabilities		-
Total liabilities		112,644,637
Net assets		12,881,301
Capital Fund		12,881,301
Total net assets and liabilities		12,881,301


In accordance with IPSAS 33, the statement of Financial Position for the FY 2021/22 has not presented the Hospital's Assets & Liabilities since the hospital is currently in the transitional phase of adopting IPSAS Accrual Basis of financial statement presentation and therefore has not concluded the measurement of its assets and liabilities.

The notes set out on pages 21 to 25 form an integral part of the Annual Financial Statements

The Hospital's financial statements were approved on 15th November 2023 and signed by:


 Dr. Sammy Kilonzo
 CEO Nanyuki Teaching & Referral Hospital




 CPA M Charles Ntojira
 Health Department Accountant
 ICPAK No:24072

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XV. STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE 2022

	Capital/ Development Grants/Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs.	Kshs.	Kshs.
Balance as at 1 July 2021	-	-	-	-
Capital/Development grants	12,881,301	-	-	12,881,301
Balance as at 30 June 2022	12,881,301	-	0	12,881,301

In accordance with IPSAS 33, the statement of changes in Net Assets for the FY 2021/22 has not disclosed changes in net assets since the hospital is currently in the transitional phase of adopting IPSAS Accrual Basis of financial statement presentation and therefore has not concluded the measurement of its assets and liabilities.

The notes set out on pages 21 to 25 form an integral part of the Annual Financial Statements

The Hospital's financial statements were approved on 15th November 2023 and signed by:



Dr. Sammy Kilonzo
CEO Nanyuki Teaching & Referral Hospital




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Health Department Accountant
ICPAK No:24072

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XVI. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	Note	2021/22
		Kshs.
Cash flows from operating activities		
Receipts		
In- kind contributions from the County Government		577,724,190
Total Receipts		577,724,190
Payments		
Medical/Clinical costs	2	(54,491,384)
Employee costs	3	(464,258,158)
Repairs and maintenance	4	(8,713,298)
General expenses	5	(50,261,350)
Total Payments		(577,724,190)
Net cash flows from operating activities		
Cash flows from investing activities		
Net cash flows used in investing activities		-
Cash flows from financing activities		
Net cash flows used in financing activities		-
Net increase/(decrease) in cash & cash equivalents		
Prior Year Adjustment		-
Cash And Cash Equivalents At 1 July		
Cash And Cash Equivalents At 30 June	6	748,386

In accordance with IPSAS 33, the cash flow statement does not present the cash flows from some operating, investing and financing activities since the Hospital is currently in the transitional phase of adopting IPSAS Accrual Basis of financial statement presentation and therefore has not concluded the measurement of its assets and liabilities.

The Hospital's financial statements were approved on 15th November 2023 and signed by:



Dr. Sammy Kilonzo
 CEO Nanyuki Teaching & Referral Hospital



CPA M. Charles Ntojira
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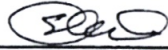
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XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

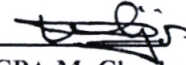
Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	A	b	c=(a+b)	d	e=(c-d)	f=d/c
Revenue		Kshs.	Kshs.	Kshs.	Kshs.	
In- kind contributions from the County Government	577,724,190		577,724,190	577,724,190	-	
Total Revenue	577,724,190	-	577,724,190	577,724,190	-	100
Expenses			-			
Medical/Clinical costs	(54,491,384)	-	(54,491,384)	(54,491,384)	-	100
Employee costs	(464,258,158)	-	(464,258,158)	(464,258,158)	-	100
Remuneration of directors	-	-	-	-	-	0
Repairs and maintenance	(8,713,298)	-	(8,713,298)	(8,713,298)	-	100
Grants and subsidies	-	-	-	-	-	0
General expenses	(50,261,350)	-	(50,261,350)	(50,261,350)	-	100
Total Expenditure	(577,724,190)	-	(577,724,190)	(577,724,190)	-	100
Surplus for the period	0	-	0	0	-	
Capital Expenditure	-	-	-	-	-	-

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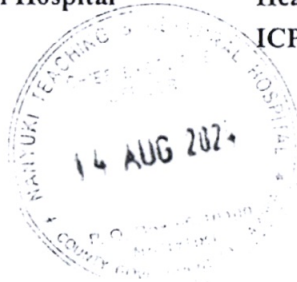
The Hospital's financial statements were approved on 15th November 2023 and signed by



Dr. Sammy Kilonzo
CEO Nanyuki Teaching & Referral Hospital



CPA M. Charles. Ntonjira
Health Department Accountant
ICPAK No:24072



XVIII. SIGNIFICANT ACCOUNTING POLICIES

1. General Information

Nanyuki Teaching & Referral Hospital is established by and derives its authority and accountability from Gazette Notice No. 9811 of 20th July 2012. The entity is wholly owned by the County Government of laikipia and is domiciled in Kenya. The entity's principal activity is

- i. To provide quality, accessible and affordable health care services
- ii. To Facilitate preventive, promotive and rehabilitative services to the community
- iii. To provide training to different health professionals
- iv. To conduct research in diverse public health fields.

2. Statement Of Compliance And Basis Of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *entity's* accounting policies. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the 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 Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

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

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

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	(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other improvements to IPSAS	<p>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>
IPSAS 43	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of</p>

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	<p>financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
<p>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 entity did not early – adopt any new or amended standards in the FY 2021/22

4. Summary Of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

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

Revenue from exchange transactions

Rendering of services

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

Sale of goods

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

Interest income

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

Dividends

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

Rental income

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

b) Budget information

The original budget for FY 2021/22 was approved by the County Assembly on 31st August 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded supplementary appropriations on the FY 2021/22 budget following the Supplementary Budget's approval. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas

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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.

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

e) Property, plant and equipment

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

f) Leases

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

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

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

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

g) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible

assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite

h) Research and development costs

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

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

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

i) Financial instruments

Financial assets

Initial recognition and measurement

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

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

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

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.

k) Inventories

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

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

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

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

l) Provisions

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

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

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

Contingent liabilities

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

Contingent assets

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

m) Nature and purpose of reserves

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

Changes in accounting policies and estimates

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

n) Employee benefits

Retirement benefit plans

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

on a proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

o) 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.

p) 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.

q) Related parties

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

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

s)

t) 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.

u) Comparative figures

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

v) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

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

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:

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

Provisions

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

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

XIX. NOTES TO THE FINANCIAL STATEMENTS

1. In Kind Contributions from The County Government

Description	2021/22
	KShs
Salaries and wages	464,258,158
Pharmaceutical and Non-Pharmaceutical Supplies	54,491,384
Medical supplies-Drawings Rights (KEMSA)	-
Repairs And Maintenance	8,713,298
General Expenses	50,261,350
Total grants in kind	577,724,190

2. Medical/ Clinical Costs

Description	2021/22
	KShs
Dental costs/ materials	(15,999,203)
Laboratory chemicals and reagents	(8,477,291)
Public health activities	-
Food and Ration	(12,975,003)
Uniform, clothing, and linen	(595,000)
Dressing and Non-Pharmaceuticals	(7,549,921)
Sanitary and cleansing Materials	(2,835,785)
Purchase of Medical gases	(4,587,900)
X-Ray/Radiology supplies	(1,181,862)
refunds of overpayments	(289,418)
Total medical/ clinical costs	(54,491,384)

3. Employee Costs

Description	2021/22
	KShs
Salaries, wages, and allowances-permanent	(411,372,222)
Salaries, wages, and allowances- temporary	(52,885,936)
Employee costs	(464,258,158)

4. Repairs And Maintenance

Description	2021/22
	KShs
Property- Buildings	(3,682,691)
Medical equipment	(2,894,090)
Computers and accessories	(706,100)
Motor vehicle expenses	(1,430,418)
Total repairs and maintenance	(8,713,298)

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5. General Expenses

Description	2021/22
	KShs
Insecticides and rodenticides	(499,990)
Conferences and delegations	(2,885,868)
Contracted services	(5,082,286)
Electricity expenses	(16,344,299)
Fuel Expenses	(5,845,098)
Travel and accommodation allowance	(2,250,090)
Courier and postal services	(55,340)
Printing and stationery	(4,476,500)
Water and sewerage costs	(5,000,000)
Telephone and mobile phone services	(1,232,315)
Internet expenses	(573,720)
Staff training and development	(3,093,500)
General Office Supplies	(2,922,344)
Total General Expenses	(50,261,350)

6. Cash and Cash Equivalents

Description	2021/22
	Kshs.
Current accounts	
On - call deposits	-
Fixed deposits accounts	-
Cash in hand -kcb C.B. account 1198115610	747,716.08
Others(<i>specify</i>)- Mobile money- pay bill 3131311	670.00
Total cash and cash equivalents	748,386

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

7. Receivables from Exchange Transactions

Description	2021/22
	Kshs.
Medical services receivables	0
Rent receivables	-
Other exchange debtors -NHIF and insurances	21,357,073.00
Less: impairment allowance	-
Total receivables	21,357,073.00

8. Inventories

Description	2021/22
	KShs
Pharmaceutical supplies	41,065,335
Dressings & Non-pharmaceuticals	56,084,585
X-ray materials	461,300
Laboratory materials	3,086,734
Renal Mateial	1,869,410
Food supplies	853,115
Total	103,420,479

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9. Trade And Other Payables

Description	2021/22
	KShs
Trade payables	112,644,637.00
Employee dues	-
Third-party payments (<i>unremitted payroll deductions</i>)	-
Doctors' fee	-
Total trade and other payables	112,644,637.00

6. Events After the Reporting Period

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

7. Ultimate and Holding Entity

The entity is a Semi- Autonomous Government Agency under the County Government of Laikipia.

8. Currency

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

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XX. APPENDICES

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

Being the 1st Annual financial statement submitted for Audit, there were no prior year audit recommendations



Dr. Sammy Kilonzo

Chief Executive Officer- Nanyuki Teaching & Referral Hospital

