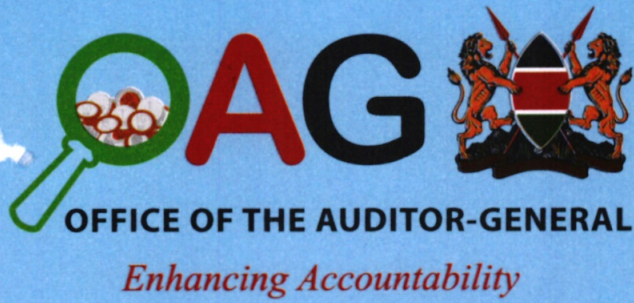


REPUBLIC OF KENYA



REPORT

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ON

KISII TEACHING AND REFERRAL HOSPITAL

**FOR THE YEAR ENDED
30 JUNE, 2023**

PAPERS LAID	
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TABLED BY	Maj. Leader
COMMITTEE	CPIC
CLERK AT THE TABLE	Kavata



KISII TEACHING AND REFERRAL Level 5 HOSPITAL
(Kisii County Government)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2023

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

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1. ACRONYMS & GLOSSARY OF TERMS

KTRH	Kisii Teaching and Referral Hospital
CSR	Corporate Social Responsibility
OSHA	Occupational Health & Safety Act
PFM	Public Financial Management
CEO	Chief Executive Officer
Fiduciary Management	Key management personnel who have financial responsibility in the entity
IPSAS	International Public Sector Accounting Standards
FY	Financial Year

2. KEY HOSPITAL INFORMATION AND MANAGEMENT

(a) Background information

The Kisii County Teaching and Referral Hospital Corporation was established by and derives its authority and accountability from Kisii County Teaching and Referral Hospital Act, 2014 on 2nd May. The Fund is wholly owned by the County Government Kisii and is domiciled in Kenya.

The entity's objective is to provide financial resources for medical supplies, equipping of the hospital and improving the quality of health care services.

The entity's principal activity is to provide financial resources for medical supplies, equipping of the hospital and improving the quality of health care services

(b) Principal Activities

The principal activity of the entity is to:

- i. Provide financial resources for medical supplies, rehabilitation and medical equipment for health facilities in the hospital.
- ii. Support capacity building in the management of the hospital.
- iii. To give decision making autonomy to the hospital management committees, to plan and manage the resources within their control
- iv. To improve the quality of health care services in the hospital.

(c) Key Management

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

- i. County department of health
- ii. Board of Directors
- iii. Chief Executive Officer
- iv. Key Management Staff

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June, 2023 and who had direct fiduciary responsibility were:

Ref	Designation	Name
1.	Ag. Chief Executive Officer	Dr. Oimeke Mariita
2	Head of Clinical Services	Dr. Bahaty Riogi
3	Head of Nursing charge	Julia Mecha
4	Hospital Administrator	Kennedy Mbane
5	Departmental Heads	Accounts, HR, Procurement, Maintenance,

(e) Fiduciary Oversight Arrangements

- i. Audit and Finance Committee

- ii. Internal Audit
- iii. Parliamentary Oversight Committees
- iv. Development partners
- v. County Assembly

(f) Registered Offices

P.O. Box 92-40200
Kisii –Hospital Road
Kisii, KENYA

(g) Hospital’s Contacts

Telephone: (254) 734749322
Email: info@ktrh.go.ke
Website: www.ktrh.or.ke

(h) Hospital’s Bankers

Kenya Commercial Bank
P.O. Box 47640200
Kisii, Kenya





(i) Independent Auditors


Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

(j) Principal Legal Adviser

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

3. THE BOARD OF DIRECTORS

Name	Details of qualifications and experience
<p>1. Dr. Kenneth Onsate Nyagena</p> 	<p>Dr, Nyagena is the chairman of the KTRH Board of Management. Dr Nyagena is also the chairperson, department of Public Affairs and Environmental studies at Laikipia University where he is also a lecturer, a consultant in various areas of expertise. Dr, Nyagena Holds a Phd in sociology, Masters in Development Studies and B.A in Anthropology and Sociology.</p>
<p>2. Dr. Joseph Mochama Abuya</p> 	<p>Born 1967, Dr. Abuya is a senior lecturer, Department of Radiology and Imaging at Moi University, prior he served as head of Department of Radiology and Imaging Moi, Teaching and Referral Hospital. He is currently Pursing a PhD in Medical Education, Holds a Master of Medicine Diagnostic Radiology and Bachelors of Medicine and Surgery.</p>
<p>3. Dr. Stella Moraa Omari</p> 	<p>Dr. Omari is the chairperson school of Business and Economics, department of Human Resource and strategic Management Kisii University where she also serves as a senior lecturer and member of university senate. She holds a PhD in Human Resource Management; M.A in social Dynamics ;Bachelor of Arts and a member of Institute of Human Resource Management (IHRM)</p>
<p>4. Martha Momanyi Omambia</p> 	<p>Mrs. Omambia is a consultant trainer in leadership for change in various aspects of community development, she is also the Chief Executive Officer, Mare Quality Foods Enterprises; she has previously served as chief project director Winrock International ;consultant ,Lutheran World Federation, UNEP among others. She holds MA, Medical Geography and Bed. (Sc), chemistry, Geography, and Education.</p>

<p>5. Dr. Oimeke Mariita</p>  A black and white portrait of Dr. Oimeke Mariita, a man with short hair and glasses, wearing a suit jacket, a dark vest, and a light-colored shirt with a tie. He is looking slightly to the right of the camera.	<p>Dr. Oimeke Mariita is the Chief Executive Officer, Kisii Teaching and Referral Hospital. He is a consultant Family Physician. He holds a master of medicine (family Medicine) and a Bachelors Medicine and Bachelors of Surgery (M.B.Ch.B).</p>
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4. KEY MANAGEMENT TEAM

Ref	Management	Details
1.	Dr. Oimeke Mariita	Chief Executive Officer
2.	Dr. Bahaty Riogi	Head of clinical services
3.	Julia Mecha	Head of Nursing charge
4.	Kennedy Mbane	Hospital Administrator
5.	CPA Elijah Mosagwe	Head of Accounts
6.	Victor Magara	Head of Procurement
7.	Brenda Moranga	Head of Human Resource

5. CHAIRMAN'S STATEMENT

It is my pleasure to present the Annual Report and Financial Statements for the Kisii Teaching and Referral Hospital (KTRH). Once again, KTRH has demonstrated its commitment to centralized specialized healthcare services to all Kenyan citizens in the region that spans to counties in south Nyanza and Western Kenya.

KTRH provides quality specialized healthcare to patients in services that include Orthopaedic surgery, Plastic surgery, Critical care services, New born services, Renal and Radiology services.

Management of operations of the hospital is guided by the existing legal policies and institutional frameworks that govern the health sector to ensure efficient and effective delivery of services in the hospital.

The Hospital's operations are also influenced by various global, regional and national strategies aimed at promoting, restoring and maintaining the health care service delivery.

In terms of corporate governance, the Board of Management carried out its mandate diligently and with focus to steer KTRH to achieve its mission. The Board of Management consists of the right balance of skills, experience and backgrounds to support and challenge the management team.

On behalf of the Board of Management, I could like to extend my appreciation to all our stakeholders and development partners for the continued support that has enabled KTRH realize its mandate. I would also like to thank KTRH management and staff for their commitment and dedication that ensured the highest quality service delivery and improved performance this financial year.

Finally, I would like to express my sincere gratitude to my fellow Board Members, for their dedication and hard work during the year. I would also like to take this opportunity to applaud the Chief Executive Officer for creating synergy and leading the management team and all the staff to greater achievement.



Dr. Kenneth Nyangena Onsate

KTRH Board Chairman

6. REPORT OF THE CHIEF EXECUTIVE OFFICER

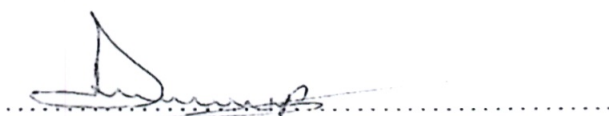
The performance review for financial year 2022/2023 provides us another opportunity to reflect on the gains made and opportunities for improvement towards continuous provision of quality, timely and cost effective and patient-centred specialised healthcare services. KTRH maintained steady growth throughout the year attributed to increased activity levels with a majority of the areas exceeding the targeted performance.

KTRH has a robust financial management system that is based on the existing government financial management rules and regulations, Public Finance Management (PFM) Act 2012, International Public Sector Accounting Standards (IPSAS) and International Financial Reporting Standard (IFRS). KTRH complied with the reporting framework as per PFM Act 2012, by submitting all the quarterly reports and financial statements to treasury.

The Kisii Teaching and Referral Hospital manages its fund based on existing government financial management rules and regulations. The fund is used for financial hospital operations including but not limited to; Purchase of Pharmaceutical and Non-Pharmaceuticals, Maintenance of proper Sanitation, Plant, Machinery and Equipment of various department, running of community outreach programs as well as free medical camps.

The long-term sustainability of KTRH operations will be determined by its continued ability to improved profitability and generate cash flow, KTRH continued to implement sound financial management policies and efficient utilization of funds, which ultimately enables the accomplishment of this objective.

I take this opportunity to acknowledge the support of Kisii County Government, and Development partners. Many thanks to the Chairman and Members of the Board for their strategic guidance and support. I wish to also register my appreciation to all stakeholders including our suppliers for supplying goods and services required for patient care and the entire staff for their commitment to providing excellent services to our clients and having played different roles and keeping us focused on our mandate.



Dr. Oimeke Mariita.

Chief Executive Officer KTRH

7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

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

Kisii Teaching and Referral Hospital’s key development objectives as per the strategic plan 2019-2024 are as follows;

- a) Infrastructure- improve physical facilities, provide modern medical equipment, integrate ICT in the hospital.
- b) Adequate skilled human resource
- c) Enhance financial performance
- d) Enhance Audit and Risk Management
- e) Strengthen supply chain management
- f) Integrate environment, social and governance concerns into our mission
- g) Optimize customer experience
- h) Enhance research, training and innovative activities
- i) Improve clinical services

Kisii Teaching and Referral Hospital develops its annual work plans based on the above 3 pillars/Themes/Issues. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The Kisii Teaching and Referral Hospital achieved its performance targets set for the FY 2022/2023 period for its 3 strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Achievements
Operational Excellence	Seamless, effective and timely service delivery and efficient Utilization of Resources
Excellence in clinical outcomes	Improved quality healthcare
Business growth	Financial Stability

8. CORPORATE GOVERNANCE STATEMENT

The Kisii Teaching and Referral Hospital Board of management has a Board Charter that describes Board Members responsibilities, the Board Functions and Structures and Ethical conduct. In addition to this, the Mwongozo Code of Governance for State Corporations governs Board Operations.

Appointment and Induction of Board Members

Appointment of Board members is as prescribed under the County Government Act, 2012 and section 6(1) (a) and (b) of the Kisii Teaching and Referral Hospital Act, 2014. The Governor appoints the Board Members

During the year the Board Members attended an induction and training in Nakuru.

Role of the Board

The responsibility of driving good corporate governance and stewardship of the Hospital is vested in the board of Directors. The board through its committees provide strategic direction while the Chief Executive Officer assisted by the Executive Management Committee is accountable to the Board for implementing the strategy.

Board Meetings Attendance

In the FY 2022/2023, Board meetings were held as per the Board Almanac for committees and full Board. Also there were several special meetings.

Board Committees

- a) Finance and General Purpose committee
- b) Audit and Risk Management Committee
- c) Standard Quality Assurance, Research and Recourse Committee

Conflict of Interest

Declaration of conflict of interest is a standing agenda in all meetings of the Board Almanac for committees and full Board. A register maintained by the institution to record all declarations made by the board members.

9. MANAGEMENT DISCUSSION AND ANALYSIS

Clinical/operational performance

The total number of outpatient clients reviewed for the year under review stood at 260,421 compared to 136,931, representing an increase of 90%. Specialized clinic marked a great improvement of 19,697 from 15,183 registered last FY as a result of the increased number of consultants and improved service delivery efficiency. A total of 5670 deliveries were conducted compared to 6122 in the last FY 2021/22. This was a drop of 452.

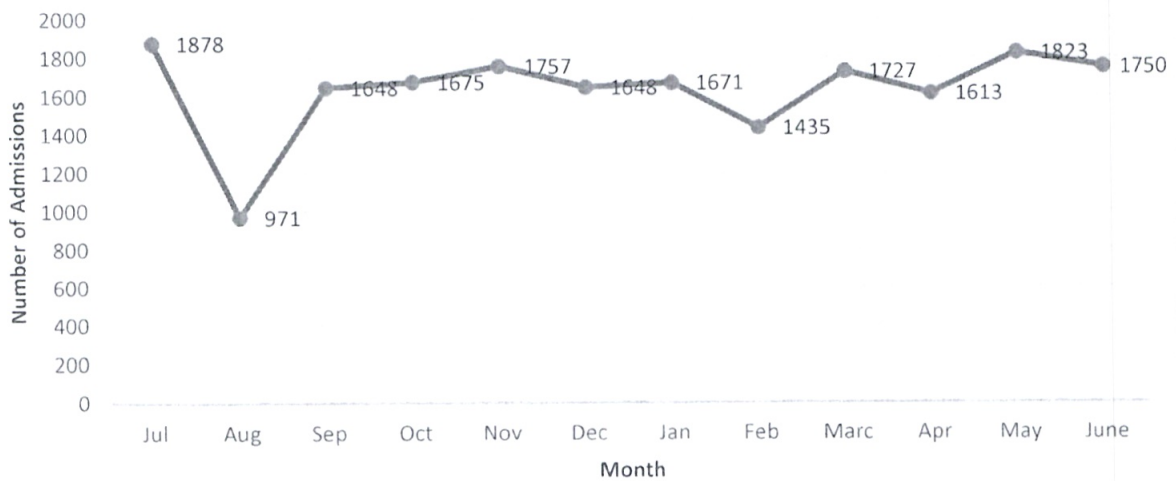
The outpatient attendance trend over the past years is as shown above



Outpatient attendance over financial year 2022/23

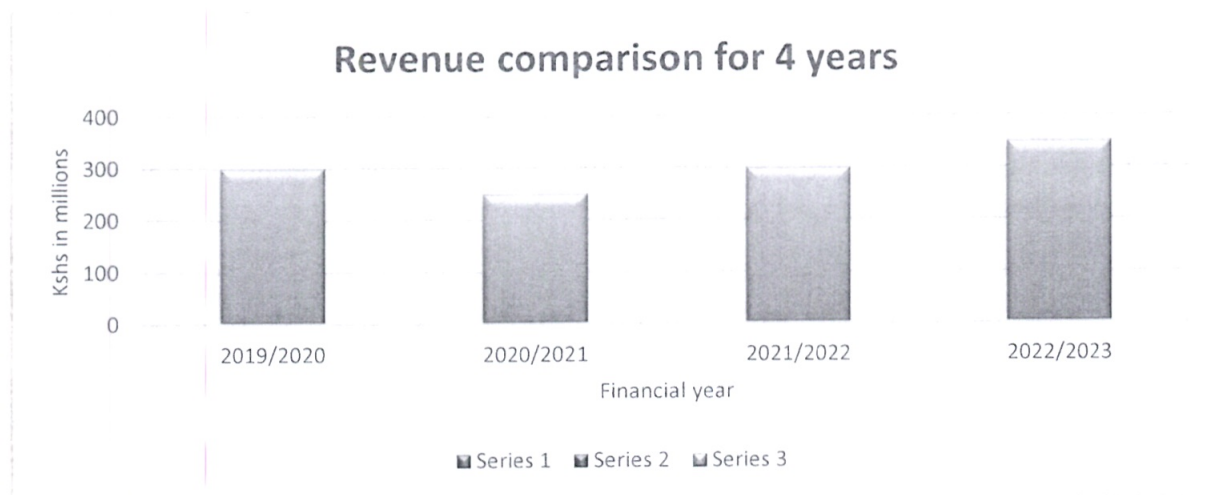
Inpatient reported 19,596 admissions which was a decline from prior year 2021/22 of 20,220 by 624. This was attributed to the strike experienced in 1st quarter in the month of August. Bed occupancy stood at 65% same as last FY 2021/22. Same as the average length of stay which was 6 days.

Admissions are illustrated below:

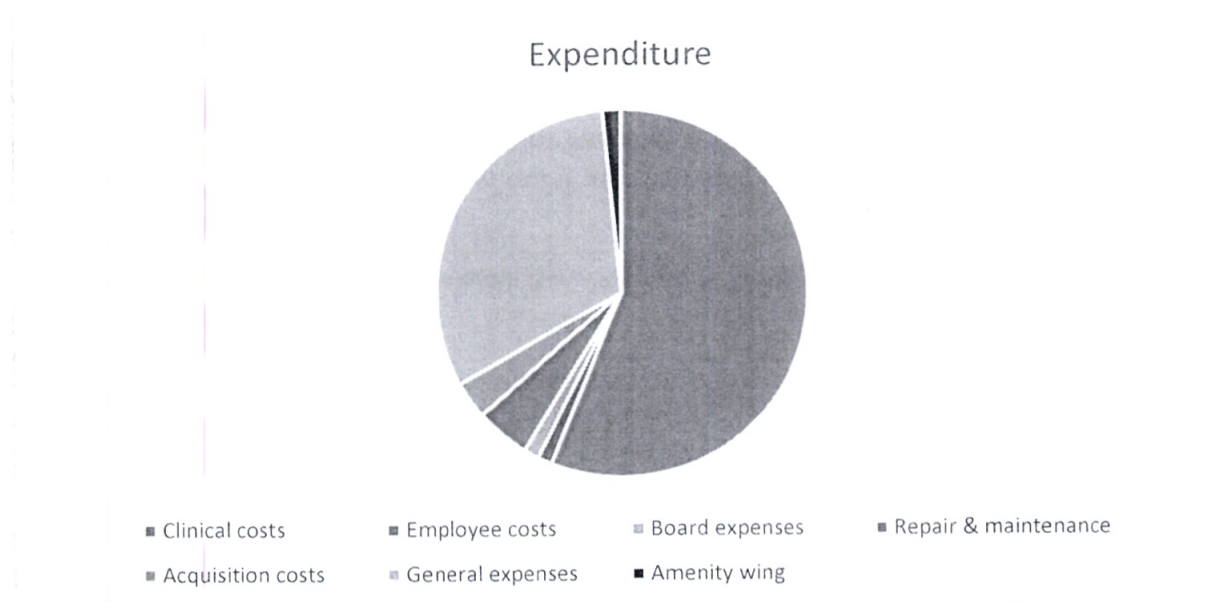


Financial performance

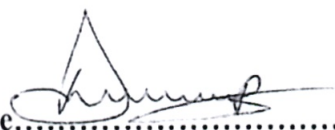
The Hospital 's revenue comprises of fee charged for services rendered. During the year revenue grew by 28% from financial year 2021/2022. The revenue trend over the past year is as depicted in the chart below.



The revenue generated during the year was utilized to fund the hospitals expenditure. Fund utilization in the year under review is shown in the chart below.



Dr. Oimeke Mariita

Signature.....

10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

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

i) Sustainability strategy and profile

As a county teaching and referral hospital, we recognize that we must conduct our operations in a manner that considers the environmental and social impact to ensure that success and longevity of the business. We are committed to being transparent, candid and open about our operations.

At Kisii Teaching and Referral Hospital we have a pragmatic approach to sustainability, we focus on identifying and putting into practice initiatives and programs that deliver real world and lasting benefits to all our stakeholders. Engaging with our stakeholders informs our decision making, strengthens our relationship and helps us deliver our commitments and success as an entity. In order to achieve these goals, we recognize that we must work in partnership with other interested stakeholders in who we share our commitment and have a stake in our entity.

We actively engage with Government, regulators, customers, suppliers, investors and individual citizens to create an environment that is supportive of solutions.

ii) Environmental performance

In our offices and clinical areas, we continue encouraging employees to help reduce energy consumption by switching of their computers and lights at the end of the day when they are not in use.

As part of adopting energy efficiency technology we have a microwave incinerator that helps with waste management.

In packaging of medicine, we use environment friendly bags. In medical waste we are using bags which are clearly marked for clinical waste, bottles and leftover food, staffs are also provided with personal protective equipment.

iii) Employee welfare

Kisii Teaching and Referral Hospital staff are employed and remunerated by the Kisii County Government. With a recruitment policy of at least a third is not of more than one gender. Employees are encouraged and supported to continually build on their skills and knowledge, these includes courses in leadership, management and technical competencies relevant to each employee. The staffs are also allowed to join unions for collective bargaining agreements. The entity also has a policy on safety which is compliant with Occupational Safety and Health Act of 2007, (OSHA).

iv) Market place practices-

a) Responsible competition practice.

Ensuring responsible competition practices is crucial for an organization to maintain their integrity, reputation, and legal compliance. It involves adhering to ethical standards, promoting fair competition, and avoiding activities that can harm competitors or undermine the principles of a free market. Here's how our organization ensure responsible competition practices in various aspects

Anti-Corruption Measures: To prevent corruption, Kisii Teaching and Referral Hospital has created clear rules against it. Everyone in the organization needs to know about these rules. Also, before working with other organizations, especially in places where corruption is common, we check if those organizations are honest.

Responsible Political Involvement: The hospital does not involve in politics, it is open about it and follows the law. We have guidelines to make sure it doesn't do anything wrong.

Fair Competition: The hospital follow the laws that make sure competition is fair by not doing things like fixing prices, working together with competitors secretly, or trying to take over a market completely. Instead, we focus on making better products and treating customers well.

Respect for Competitors: The hospital respect competitors' ideas and do not copy them without permission.

Regular Audits and Monitoring: The hospital regularly checks if it is following these rules and also make sure that employees and partners know and follow the rules.

Training and Awareness: the hospital trains its staff according to their needs.

b) Responsible Supply chain and supplier relations

Maintaining responsible supply chain and supplier relations is essential for the hospital to uphold ethical business practices, ensure the quality of products or services, and build trust with our suppliers. Kisii Teaching and Referral Hospital does this through,

Fair Agreements: The hospital creates clear and fair agreements with our suppliers. These agreements spell out things like what's being bought, how much it costs, when it should be delivered, and when payment is due. Both sides should agree to these terms.

Ethical Sourcing: The hospital buys things from suppliers who follow good and ethics by treating their workers fairly, following environmental rules, and respect human rights.

On-Time Payments: the hospital pays suppliers on time according to the agreed-upon schedule.

Open Communication: the hospital talks to suppliers and shares information including updates on orders, any changes that come up, and addresses any problems quickly.

Fair Treatment: the hospital treats its suppliers fairly and equally.

Quality Check: the hospital makes sure that the things received from suppliers are of good quality and meet the agreed-upon standards. If there are any issues, we work with the suppliers to fix them.

Diversity in Suppliers: the hospital supports a mix of suppliers from different backgrounds and give everyone a fair chance to do business with the organization.

c) *Responsible marketing and advertisement*

Maintaining ethical marketing practices is essential for Kisii Teaching and Referral Hospital to build trust with our customers, protect our reputation, and adhere to legal and societal standards and we practice this by;

Being Truthful and Transparent:

- Always telling the truth in marketing materials and not exaggerate or mislead.
- Share all important information about products or services, including any downsides.

Consumer Rights:

- Letting people easily say no to marketing messages if they want to.
- Respect their privacy preferences, like "Do Not Track" requests.

Ethical Targeting:

- We are responsible when choosing who to target with marketing, and don't take advantage of vulnerable groups.
- Use data responsibly to make sure advertising is relevant but not invasive.

Environmental Responsibility:

- We promote eco-friendly products and practices in marketing, but make sure any claims about being green are true.
- We avoid saying things that aren't true to make a product seem more environmentally friendly than it really is.

d) *Product stewardship.*

Safeguarding consumer rights and interests through product stewardship is crucial to ensure the safety, quality, and satisfaction of consumers while promoting responsible consumption and environmental sustainability. Here's an outline of efforts the hospital has taken to uphold consumer rights and interests through product stewardship:

Safety and Quality: Make sure products are safe to use and meet quality standards from start to finish.

Consumer Education: Give consumers clear and complete information about products, including how to use them safely.

Recalls: Have a plan to quickly take back and replace products that have problems or are dangerous.

Fair Prices: Charge reasonable prices and avoid tricky pricing tactics.

Environmental Responsibility: Think about the environment when designing and making products. Use eco-friendly materials and reduce waste.

Supply Chain Transparency: Let consumers know where products come from and make sure the materials used are sourced ethically and sustainably.

Protect Data and Privacy: Keep consumer data safe and private, following data protection laws and being clear about what data is collected and how it's used.

e) Corporate Social Responsibility / Community Engagements

As a way of creating awareness on health seeking behaviour and encourage early diagnosis and treatment, Kisii Teaching and Referral Hospital conducts clinical outreach programs in the communities within its catchment area. It offers screening and free medical services to those who cannot afford to pay for them at the main hospital. Its also an opportunity to provide mentorship and to partnership with county health facilities.

During the period Kisii Teaching and Referral Hospital carried out outreach programs, screened and offered free medical services as outlined below.

Date	Activity	Venue
	Medical camp	Musa Nyandusi High school
	Medical camp	Daraja Mbili camp centre
	Cancer screening & family planning	Elimu Academy grounds
	Cancer screening & family planning	Itierio Girls grounds
	Routine deworming	Nyamache Boys High school
	Routine deworming	Riokindo Girls High school
	Routine deworming	Bishop Mogendi High school
	Dental & eye check up	Kereri Girls High school
	Dental & eye check up	Kisii High School
	Screening & diagnostic services	Kisii Stadium
	Counselling services	Riokindo Boys High school
	Mentorship services	Ichuni Girls

11. REPORT OF THE BOARD OF DIRECTORS

The Board members submit their report together with the Audited Financial Statements for the year ended June 30, 2023, which show the state of the Hospital's affairs.

Principal activities

The principal activities of the Hospital are:

- i. Provide financial resources for medical supplies, rehabilitation and medical equipment for health facilities in the hospital.
- ii. Support capacity building in the management of the hospital.
- iii. To give decision making autonomy to the Hospital Management Committees, to plan and manage the resources within their control.
- iv. To improve the quality of health care services in the hospital.

Results

The results of Kisii Teaching and Referral Hospital for the year ended June 30, 2023 are set out on page 1

Board of Management

The members of the Board who served during the year are shown on page vi and vii. During the year, Dr. Enock Ondari left was replaced by Dr. Oimeke Mariita.

Auditors

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



By Order of the Board

Dr. Oimeke Mariita
Chief Executive Officer KTRH

12. STATEMENT OF BOARD OF DIRECTOR'S RESPONSIBILITIES

Section 164 of the Public Finance Management Act, 2012 and Section 19 of the Kisii Teaching and Referral Hospital Act, 2014 requires the Board of Management to prepare financial statements in respect of the KTRH, which give a true and fair view of the state of affairs of the Kisii Teaching and Referral Hospital at the end of the financial year and the operating results of the Hospital for that year. The Board of Management is also required to ensure that Kisii Teaching and Referral Hospital keeps proper accounting records which disclose with reasonable accuracy the financial position of the Hospital. The council members are also responsible for safeguarding the assets of Kisii Teaching and Referral Hospital.


The Board of Directors is responsible for the preparation and presentation of the Kisii Teaching and Referral Hospital's financial statements, which give a true and fair view of the state of affairs of Kisii Teaching and Referral Hospital for and as at the end of the financial year (period) ended on June 30, 2023. 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 Kisii Teaching and Referral Hospital; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

The Board of Management accepts responsibility for the Kisii 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 and the Kisii Teaching and Referral Hospital Act 2014. The Board members are of the opinion that Kisii Teaching and Referral Hospital's financial statements give a true and fair view of the state of Kisii Teaching and Referral Hospital's transactions during the financial year ended June 30, 2023, and of the KTRH's financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the Hospital, which have been relied upon in the preparation of the Hospital's financial statements as well as the adequacy of the systems of internal financial control.

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

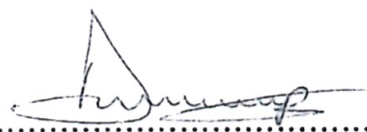
Approval of the financial statements

The Hospital's financial statements were approved by the Board on 30/09/2023 and signed on its behalf by:



.....

**Name: Dr. Kenneth Nyangena Onsate
Chairperson Board of Directors**



.....

**Name: Dr. Oimeke Mariita.
Chief Executive Officer KTRH**

REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON KISII TEACHING AND REFERRAL HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Kisii Teaching and Referral Hospital set out on pages 1 to 20, which comprise of the statement of financial position as at 30 June, 2023 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual

Report of the Auditor-General on Kisii Teaching and Referral Hospital for the year ended 30 June, 2023

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 described 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 the Kisii Teaching and Referral Hospital as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, and does not comply with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and Kisii County Teaching and Referral Hospital Act, 2014.

Basis for Adverse Opinion

1. Unsupported Amenity Wing Expenses

The statement of financial performance reflects Amenity wing expenses amount of Kshs.5,476,000 which, as disclosed in Note 12 to the financial statements, comprises contracted professionals' salaries and allowance amount of Kshs.2,465,000 and doctors, nurses and administration officers' locum amount of Kshs.3,011,000. However, documents such as contracts and engagement letters in support of the expenditure were not provided for audit.

In the circumstances, the accuracy, completeness and regularity of the amenity wing expenses of Kshs.5,476,000 could not be confirmed.

2. Employee Costs

The statement of financial performance and Note 8 of the financial statements reflects employee costs amounting to Kshs.4,363,800 which is way below the Board of Management expenses of Kshs.4,686,910. The amount is grossly understated as it is not enough to pay the salaries of the Key Management team of 7 persons detailed on page Vii of the financial statements. Although the management in their response indicated that the key hospital staff are employed and paid for by the County Government, the hospital has not accounted for the in-kind contribution by the County Government either as income or expenditure.

In the circumstances, the accuracy and completeness of the employee costs amounting to Kshs.4,363,800 could not be confirmed.

3. Property, Plant and Equipment

As disclosed in Note 16 the financial statements the statements of financial position reflects property, plant and equipment balance of Kshs.11,539,040 all of which were additions during the year. No depreciation or impairment has been charged during the year. In addition, the land, buildings, Motor vehicles, furniture and fittings, medical equipment, which were in place before 1 July, 2022 have not been reported in the financial statements. Further, any depreciation that would have been charged to the above has not been accounted for.

Further, audit inspection in February, 2024 of the Hospital's property, plant and equipment (whose values were not provided) revealed the following unsatisfactory matters:

Assets	Current Status
16 Slice CT Scan Machines	All the sixteen machine were not functioning. Management explained that they stopped working in the year 2019.
1 Cryotherapy Machine	The machine was not functioning. It was explained that it stopped working in the year 2020.
12 Dialysis Machines	Six (6) of the twelve (12) machines were functioning.
2 Oxygen Concentrators	One (1) machine was in use, while the other was lying idle in the store.
1 Oxygen Production Plant	The plant was not working because, according to Management, it had not been serviced.
4 Anesthetic Machines	One (1) was not functioning due to break down of monitoring board
1 Ambulance	Operational but not fully equipped.
Mother and Child Hospital	The building was fully constructed at a total cost of Kshs.541,120,498. The last payment to the contractor of Kshs.8,509,020 was made on 5 July, 2022. However, two (2) lifts provided for had not been installed, and the contractor had not handed over the building to the County Government and was not on site. Whether or not the defect liability period had lapsed could not be verified. Further, the Hospital had not been equipped with beds and other medical equipment.
Doctors' Plaza	The contractor was not on site. Management explained that the contractor was still working under the agreement and, therefore, had not handed over the building.

In the circumstances, the accuracy of the financial statements as at 30 June, 2023 and value for money spent on the non-functioning or idle assets could not be confirmed.

4. Unsupported Repairs and Maintenance

The statement of financial performance as reflected in Note 10 to the financial statements reflects repair and maintenance expenditure of Kshs.16,430,218 which includes repairs for Motor Vehicles and repairs for Property, Plant equipment of Kshs.2,206,181 and Kshs.12,142,761 respectively. However, as reflected in Note 16 to the financial statements, the hospital does not have any Motor Vehicle and the total property, plant and equipment is Kshs.11,539,040 which is less than the maintenance cost. It is notable that the previous year (2021/2022) the repair and maintenance for property, plant and equipment was Kshs.14,507,280 while the value of the commensurate asset was reported as Nil.

In the circumstances, the accuracy and propriety of the repair and maintenance expenditure of Kshs.16,430,218 could not be confirmed.

5. General expenses - Kisii County Imprest

The statement of financial performance and Note 11 to the financial statements reflects general expenses amounting to Kshs.106,824,849 which includes an expenditure of Kshs.3,000,000 described as Kisii County Imprest. However, the nature of the expenditure has not been explained neither the reason for payment of monies to Kisii County imprest account.

In the circumstances, the accuracy and propriety of the Kisii County Imprest expenditure of Kshs.3,000,000 could not be confirmed

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

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects revenue final budget and actual on comparable basis amounts of Kshs.483,704,206 and Kshs.427,232,758 respectively, resulting in an underfunding of Kshs.56,471,448 (or 12% of the budget). Similarly, the Hospital expended Kshs.339,257,067 against an approved budget of Kshs.483,054,206, resulting in an under-expenditure of Kshs.98,797,139 (or 23% of the budget). The underperformance affected the planned activities and may have impacted negatively on service delivery to the Public.

My opinion is not modified in respect of this matter

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Lack of Training Needs Assessment

The statement of financial performance reflects general expenses balance of Kshs.106,824,849 which, as disclosed in Note 11 to the financial statement, includes staff training and development expenses amount of Kshs.591,000. However, Management did not provided evidence to show that the trainings carried out during the year were based on Training Need Assessment as required by Section H.3(1) of the Human Resource Policies and Procedures Manual for Public Service, dated May 2016.

In the circumstances, Management was in breach of the Public Service Commission policies and procedures.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

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, Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources 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

Lack of Updated Asset Register

Audit inspection revealed that the Hospital had in its custody various assets ranging from beds, laboratory equipment, furniture, office equipment, ICT equipment, motor vehicles and buildings. However, it was noted that the management did not have an updated asset register reflecting all these assets. Further, no valuation report of the assets was provided for audit.

In the circumstances, the existence of effective internal controls over non-current assets could not be confirmed.

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

Responsibilities of Management and the Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

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

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



FCPA Nancy Gathungu, SBS
AUDITOR-GENERAL

Nairobi

22 February, 2024

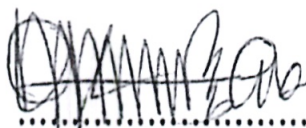
Kisii Teaching and Referral Hospital (Kisii County Government)
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14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023

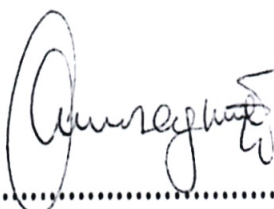
Description	Notes	2022/2023	2021/2022
		Kshs	Kshs
Revenue from exchange transactions			
Transfers from the County Government		-	14,504,430
Rendering of services- medical service income	5	422,180,231	319,437,236
Other income	6	1,582,287	-
Total revenue		423,762,518	333,941,666
Expenses			
Medical/clinical costs	7	190,054,569	196,860,757
Employee costs	8	4,363,800	-
Board of management expenses	9	4,686,910	5,693,140
Repairs and maintenance	10	16,430,218	18,186,801
General expenses	11	106,824,849	129,207,387
Amenity wing	12	5,476,000	-
Total expenses		327,836,345	349,948,085
Net surplus / (deficit) for the year		95,926,173	(16,006,419)

The notes set out on pages 6 to 15 form an integral part of the Annual Financial Statements.

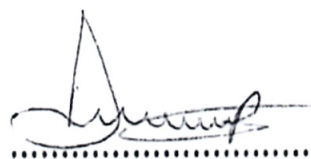
The Hospital's financial statements were approved by the Board on 30/09/2023 and signed on its behalf by:



Chairman
Board of Directors



Head of Finance
ICPAK No:24903



Chief Executive Officer
KTRH

Kisii Teaching and Referral Hospital (Kisii County Government)
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15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

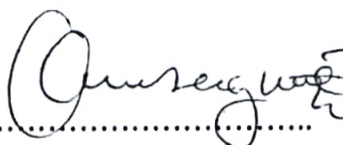
Description	Notes	2022/2023	2021/2022
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	13	76,691,996	520,715
Receivables from exchange transactions	14	37,629,900	41,100,140
Inventories	15	28,216,643	18,609,741
Total current assets		142,538,539	60,230,596
Non-current assets			
Purchase of property, plant and equipment	16	11,539,040	-
Total non-current assets		11,539,040	-
Total assets		154,077,579	60,230,596
Liabilities			
Current liabilities			
Trade and other payables	17	33,866,793	45,287,515
Waivers and exemptions	18	9,341,532	-
Total current liabilities		43,208,325	45,287,515
Total liabilities		43,208,325	45,287,515
Net assets			
Accumulated surplus/deficit		38,441,950	(57,484,223)
Capital fund		72,427,304	72,427,304
Total net assets		110,869,254	14,943,081
Total Net Assets and Liabilities		154,077,579	60,230,596

The notes set out on pages 6 to 15 form an integral part of the annual financial statements.

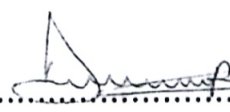
The Hospital's financial statements were approved by the Board on 30/09/2023 and signed on its behalf by:



Chairman
Board of Directors



Head of Finance
ICPAK No:24903



Chief Executive Officer
KTRH

16. STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE 2023

	Accumulated surplus/Deficit	Capital Fund	Total
	Kshs	Kshs	Kshs
As at July 1, 2021	(41,477,804)	72,427,304	30,949,500
Surplus/(deficit) for the year	(16,006,419)	-	(16,006,419)
As at June 30, 2022	(57,484,223)	72,427,304	14,943,081
At July 1, 2022	(57,484,223)	72,427,304	14,943,081
Surplus/(deficit) for the year	95,926,173	-	95,926,173
At June 30, 2023	38,441,950	72,427,304	110,869,254

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17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

Description	Note	2022/2023	2021/2022
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government		-	14,504,430
Rendering of services - medical service income		425,650,471	319,437,236
Other receipts		1,582,287	
Total receipts		427,232,758	333,941,666
Payments			
Medical/clinical costs		197,193,044	193,032,081
Employee costs		4,363,800	-
Board of management expenses		4,686,910	5,693,140
Repairs and maintenance		16,893,921	18,186,801
General expenses		110,643,392	123,784,713
Amenity wing		5,476,000	-
Refund of patients/customer deposits		265,370	
Total payments		339,522,437	340,696,735
Adjusted for:			
Changes in receivables			28,839,534
Changes in payables			14,621,212)
Changes in inventory			1,697,077
Net cash flows from operating activities	19	87,710,321	(91,020)
Cash flows from investing activities			
Purchase of property, plant and equipment		(11,539,040)	-
Net cash flows from investing activities		(11,539,040)	-
Net increase/(decrease) in cash and cash equivalents		76,171,281	(91,020)
Cash and cash equivalents at 1 July, 2022	13	520,715	611,735
Cash and cash equivalents at 30 June, 2023	13	76,691,996	520,715

18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Rendering of services- medical service income	483,704,206	-	483,704,206	425,650,471	58,053,735	88%
Other income	-	-	-	1,582,287	(1,582,287)	
Total income	483,704,206		483,704,206	427,232,758	56,471,448	88%
Expenses						
Medical/Clinical costs	219,207,279	-	219,207,279	197,193,044	22,014,235	90%
Employee costs	18,000,000	-	18,000,000	4,363,800	13,636,200	24%
Remuneration of directors	5,000,000	-	5,000,000	4,686,910	313,090	94%
Repairs and maintenance	29,069,276	-	29,069,276	16,893,921	12,175,355	58%
General expenses	141,777,651	-	141,777,651	110,643,392	31,134,259	78%
Amenity wing expenses	25,000,000	-	25,000,000	5,476,000	19,524,000	22%
Total current expenditure	438,054,206	-	438,054,206	339,257,067	98,797,139	77%
Surplus for the year	45,650,000	-	45,650,000	87,975,691	(42,325,691)	
Capital expenditure	45,650,000	-	45,650,000	11,539,040	34,110,960	25%

Budget Note

- a) The utilization of 88% for rendering of services-medical service income was due to breakage of machines.
- b) The utilization of 24% for employee costs was due to few contracted professionals during the year.
- c) The utilization of 58% for repairs and maintenance was due to delayed procurement procedures.
- d) The utilization of 78% for general expenses was due to delay of tender documents.
- e) The utilization of 22% for amenity wing expenses was due to functional period started earlier March 2023

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Reconciliation of total actuals reported in this statement and total actuals reflected in the statement of financial performance:

	Amount (Kshs)
Revenue	
Total actual revenue as per statement of comparison of budget and actual amounts	427,232,758
Add: Receivables from exchange transactions	37,629,900
Less: Receipts of revenue earned in 2021/2022	(41,100,140)
Total actual revenue as per statement of financial performance	423,762,518
Expenses	
Total actual expenses as per statement of comparison of budget and actual amounts	339,257,067
Add: Trade payables	33,866,793
Less: Payment of expenses incurred in 2021/2022	(45,287,515)
Total actual expenses as per statement of financial performance	327,836,345

f)

19. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Kisii Teaching and Referral Hospital entity is established by and derives its authority and accountability from Kisii Teaching and Referral Hospital Act. The entity is wholly owned by the County Government of Kisii and is domiciled in Kenya. The entity's principal activity is to provide money for medical supplies, equipping of the hospital and improving the quality of health care services.

2. Statement Of Compliance And Basis Of Preparation

The financial statements have been prepared on a historical cost basis. 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 KTRH'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

i. New and amended standards and interpretations in issue effective in the year ended 30 June 20XX.

Standard	Effective date and impact
IPSAS 41: Financial Instruments	<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

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Standard	Effective date and impact
	<p>accounting treatment for instruments held as part of the risk management strategy.</p> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Entity.</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i>

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Standard	Effective date and impact
	<p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • <i>IPSAS 29: Financial instruments: Recognition and Measurement</i> <p>Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

Standard	Effective date and impact
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows 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>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires:-</p> <ol style="list-style-type: none"> Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.

iii) Early adoption of standards

The Hospital did not early – adopt any new or amended standards in the financial year.

4. Summary Of Significant Accounting Policies

a) Revenue recognition

Notes to the Financial Statements (Continued)

i) 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.

b) Budget information

The original budget for FY 2022/2023 was approved by the Kisii Teaching and Referral Hospital board. No subsequent revisions or additional appropriations were made to the approved budget.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section v of these financial statements.

c) 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.

d) 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.

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.

e) 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.

f) 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.

g) Comparative figures

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

h) 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, 2023.

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Notes to the Financial Statements (Continued)

5. Rendering of Services-Medical Service Income

Description	2022/2023	2021/2022
	Kshs	Kshs
User Fee	193,882,656	196,206,207
NHIF	134,960,995	65,149,599
Linda Mama	90,519,690	56,447,600
Britam Insurance	2,816,890	1,278,670
AON Minet	-	355,160
Total revenue from the rendering of services	422,180,231	319,437,236

6. Other Income

Description	2022/2023	2021/2022
	Kshs	Kshs
Incineration	590,680	-
Oxygen plant	526,077	-
Rent from Hostel and Kiosks	279,500	-
Hospital Cafeteria	186,030	-
Total other income	1,582,287	-

7. Medical/ Clinical Costs

Description	2022/2023	2021/2022
	Kshs	Kshs
Laboratory chemicals and reagents	30,501,201	19,830,979
Therapeutic food supplement	1,503,600	
Uniform, clothing, and linen		3,791,000
Food and Ration	23,352,566	23,308,168
Dressing and Non-Pharmaceuticals	89,259,446	102,366,165
Drugs/Pharmaceutical supplies	34,439,525	24,991,479
Sanitary and cleansing Materials	1,057,820	1,773,720
X-Ray/Radiology supplies	17,078,886	16,970,570
Trade payables	21,168,300	
Payments of expenses incurred in 2021/2022	(28,306,775)	
Total medical/ clinical costs	190,054,569	193,032,081

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Notes to the Financial Statements (Continued)

8. Employee Costs

Description	2022/2023	2021/2022
	Kshs	Kshs
Contracted professionals Salaries, wages, and allowances	4,363,800	-
Employee costs	4,363,800	-

9. Board of Management Expenses

Description	2022/2023	2021/2022
	Kshs	Kshs
Sitting allowance	4,686,910	3,225,180
Induction and training	-	2,467,960
Total	4,686,910	5,693,140

10. Repairs And Maintenance

Description	2022/2023	2021/2022
	Kshs	Kshs
Medical equipment, dental	1,539,530	1,003,715
Motor vehicle expenses	2,206,181	2,431,806
Computers and accessories	247,622	250,000
Property plant, machinery & equipment	12,142,761	14,501,280
Motor vehicle insurance	757,827	-
Accrued expenses	1,375,057	-
Payments of expenses incurred in 2021/2022	(1,838,760)	-
Total repairs and maintenance	16,430,218	18,186,801

11. General Expenses

Description	2022/2023	2021/2022
	Kshs	Kshs
Advertising and publicity expenses	675,320	-
Catering expenses	1,499,615	2,153,812
Bank charges	91,807	254,501
Conferences and delegations	447,000	-
Consultancy fees	00	-
Contracted cleaning services	18,026,450	16,639,800
Contracted security services	9,750,000	9,000,000
Electricity expenses	31,258,705	30,342,010
Research and development expenses	202,000	815,050

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Description	2022/2023	2021/2022
	Kshs	Kshs
Domestic Travel and accommodation allowance	4,749,380	10,525,050
Daily subsistence	6,370,830	5,817,940
Courier and postal services	80,699	31,550
Foreign travel	00	5,739,227
General office stationery	4,319,618	6,785,395
Water and sewerage costs	14,422,442	16,394,672
Telephone and mobile phone services	503,550	914,250
Internet expenses	561,115	784,680
Staff training and development	591,000	275,600
Refined fuel	6,800,001	500,000
Other fuel, firewood, cooking gas	2,822,500	2,717,500
Subscriptions to professional bodies	66,400	-
Airline	230,800	-
Publishing and printing	752,500	-
Computer accessories	3,140,660	1,709,600
County ambulance	221,000	-
Kisii county imprest	3,000,000	-
Miscellaneous	60,000	12,384,076
Trade payables	11,323,437	00
Payments of expenses incurred in 2021/2022	(15,141,980)	00
Total general expenses	106,824,849	123,784,713

12. Amenity Wing Expenses

Description	2022/2023	2021/2022
	Kshs	Kshs
Contracted Professionals salaries and allowances	2,465,000	-
Doctors, Nurses and admin officers' Locum	3,011,000	-
Total amenity expenditure	5,476,000	-

13. Cash and Cash Equivalents

Description	2022/2023	2021/2022
	Kshs	Kshs
Current accounts	76,691,996	520,715
Total cash and cash equivalents	76,691,996	520,715

Notes to the Financial Statements (Continued)

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

Description		2022/2023	2022/2023
Financial institution	Account number	Kshs	Kshs
a) Current account			
Kenya Commercial bank	1101996315	76,691,996	520,715
Grand total		76,691,996	520,715

14. Receivables from Exchange Transactions

Description	2022/2023	2021/2023
	Kshs	Kshs
Medical services receivables	37,629,900	41,100,140
Total receivables	37,629,900	41,100,140

Aging Analysis of Receivables from Exchange Transactions

Description	2022/2023		2021/2022	
	Amount (Kshs)	% of the total	Amount (Kshs)	% of the total
Less than 1 year	37,629,900	100%	41,100,140	100%
Total	37,629,900	100%	41,100,140	100%

15. Inventories

Description	2022/2023	2021/23
	Kshs	Kshs
Non-Pharmaceutical supplies	7,521,632	6,931,106
Pharmaceuticals/Drugs	13,065,369	7,647,415
Radiology supplies	922,849	1,190,450
Food supplies	49,770	149,750
Stationery	220,490	821,545
Laboratory reagents	3,715,735	1,125,675
Renal commodities	2,328,224	595,200
Computer accessories	392,574	148,600
Total	28,216,643	18,609,741

Notes to the Financial Statements (Continued)

16. Property, Plant and Equipment

Description	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Total
	Kshs	Kshs	Kshs	Kshs
Cost				
At 1 July 2021		-	-	-
Additions		-	-	-
Disposals		-	-	-
Transfers/adjustments		-	-	-
At 30th Jun 2022		-	-	-
				-
At 1 July 2022		-	-	-
Additions	180,000	680,000	10,679,040	11,539,040
Disposals		-	-	-
Transfer/adjustments				-
At 30th Jun 2023	180,000	680,000	10,679,040	11,539,040
Depreciation and impairment				-
At 1 July 2021	-	-	-	-
Depreciation for the year	-	-	-	-
Disposals	-	-	-	-
Impairment	-	-	-	-
At 30 June 2022	-	-	-	-
At July 2022	-	-	-	-
Depreciation	-	-	-	-
Disposals	-	-	-	-
Impairment	-	-	-	-
Transfer/adjustment	-	-	-	-
At 30th June 2023	-	-	-	-
				-
Net book values				-
At 30 th Jun 2022	-	-	-	-
At 30 th Jun 2023	180,000	680,000	10,679,040	11,539,040

17. Trade and Other Payables

Description	2022/2023	2021/2022
	Kshs	Kshs
Trade payables	33,866,793	45,287,515
Total trade and other payables	33,866,793	45,287,515

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Notes to the Financial Statements (Continued)

Aging Analysis of Trade Payables

	2022/2023		2021/2022	
	Amount (Kshs)	% of the Total	Amount (Kshs)	% of the total
Under one year	32,183,634	95%	45,287,515	100%
1-2 years	1,683,159	5%	-	0%
Total	33,866,793	100%	45,287,515	100%

18. Waivers and Exemptions

Description	2022/2023	2021/2022
	Kshs	Kshs
Waivers	9,341,532	-
Exceptions	-	-
Total	9,341,532	-

19. Cash Generated from Operations

Description	2022/2023	2021/2022
	Kshs	Kshs
Surplus for the year before tax	95,926,173	(16,006,419)
Adjusted for:		
Accounts receivable	(37,629,900)	
Receipts of revenue earned in 2021/2022	41,100,140	
Trade and other payables	33,866,793	
Payments of expenses incurred in 2022/2022	(45,287,515)	
Refund of patients/customer deposits	(265,370)	
Working Capital adjustments		
Changes in Receivables		28,839,534
Changes in Payables		(14,621,212)
Changes in Inventory		1,697,077
Net cash flow from operating activities	87,710,321	(91,020)

20. Financial Risk Management

The Hospital's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Hospital's overall risk management programme focuses on the unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable

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levels of risk. The Hospital does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

(i) Credit risk

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2022				
Receivables from exchange transactions	37,629,900	0	0	0
Bank balances	76,691,996	0	0	0
Total	117,792,136	0	0	0
At 30 June 2023		0	0	0
Receivables from exchange transactions	41,100,140	0	0	0
Bank balances	520,715	0	0	0
Total	41,620,855	0	0	0

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Hospital has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The board of Directors sets the Hospital's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

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

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed

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in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2022				
Trade payables				45,287,515
Total				45,287,515
At 30 June 2023				
Trade payables	12,662,464	11,707,970	4,164,759	33,866,793
Total	12,662,464	11,707,970	4,164,759	33,866,793

21. Related Party Balances

Nature of related party relationships

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

County Government of Kisii

The County Government of Kisii is the principal shareholder of Kisii Teaching and Referral Hospital, holding 100% of the Kisii Teaching and Referral Hospital's equity interest.

Other related parties include:

- i) The Parent Ministry of Health;
- ii) SCs
- iii) SAGAs;
- iv) Key management;
- v) Board of directors

22. Events After The Reporting Period

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

23. Ultimate And Holding Hospital

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

24. Currency

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

20. APPENDICES

Appendix 1: Progress on Follow Up of Auditor Recommendations

The following is the summary of issues raised by the Auditor-General, and management comments that were provided to the auditor. We commit to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Budgetary Control and Performance The statement of comparison of budget and actual amounts for the year ended 30 June, 2022 reflects final receipts budget and actual on comparable basis amounts of Kshs.377,773,692 and Kshs.362,781,200 respectively, resulting to an under-funding by Kshs.14,992,492 of the approved budget. Similarly, the Hospital spent an amount of Kshs.362,872,220 against an approved expenditure budget of Kshs.377,773,692, resulting to an under- expenditure of Kshs.14,901,472 of the approved expenditure budget.</p> <p>The underfunding and underperformance affected the Hospital’s planned activities and may have impacted negatively on service delivery to the public.</p>			



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**Chief Executive Officer
KTRH**