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THE AUDITOR-GENERAL

ON

IKUTHA LEVEL 4 HOSPITAL

FOR THE YEAR ENDED  
30 JUNE, 2022

COUNTY GOVERNMENT OF KITUI



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# **IKUTHA LEVEL 4 HOSPITAL (Kitui County Government)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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

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**1. Acronyms & Glossary of Terms**

CSR	Corporate Social Responsibility
OSHA	Occupational Health & Safety Act
PFMA	Public Financial Management Act
MED SUP	Medical Superintendent
Fiduciary Management	Key management personnel who have financial responsibility in the entity.

## **2. Key Entity Information and Management**

### **(a) Background information**

Ikutha Level 4 Hospital was established during the colonial government times in 1948 by the then District Commissioner Jackson Mahony as Ikutha Health Centre. The facility at the time operated under the Government of Kenya Health Policy which later transitioned to the Health Facility Management Committee as was established under the National Health Sector Strategic Plan of Kenya (2012) on 31/5/2017. Ikutha Health Centre was later upgraded to Ikutha Level 4 Hospital on 1st November, 2016 under the (Gazette Notice No. 9319). The hospital is now governed by a Health Facility Management Committee (Board of Management).

It is located in Ikutha town approximately 100km from Kitui town along Kitui - Kibwezi Road, within Ikutha market and immediately neighbouring Ikutha Vocational Technical Training Institute.

The catchment population under which the facility operates is approximately 19,039 people. The facility stands as the Referral centre for 4 wards within Kitui South namely:

Ikutha, Mutha, Kanziko and Athi Wards.

It also acts as a link facility for 6 health centres, 24 dispensaries and 3 private health facilities within Kitui South Sub County.

Ikutha Level 4 Hospital refers most of its patients to Our Lady of Lourdes Mutomo Mission Hospital, Kitui County Referral Hospital and occasionally to Makindu Hospital which is about 70km in the neighbouring Makueni County.

### **(b) Principal Activities**

The principal activity of the Ikutha level 4 Hospital is to offer healthcare services to the community of Kitui South sub county, Kitui county and Kenya at large.

**Vision:** An efficient quality healthcare system that is accessible, equitable and affordable to all Kenyans so as to achieve a healthy, productive and globally competitive nation.

**Mission:** To promote and participate in the provision of integrated and efficacious promotive, preventive, curative, and rehabilitative health care services to all Kenyans.

**Core values:** Integrity, Professionalism, Ethics, Team Work, Accountability, Responsiveness, Partnership.

### **(c) Key Management**

The Ikutha Level 4 Hospital management is under the following key organs:

- County Department of Health-The Ministry of Health and Sanitation.

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- Board of Management-The Ikutha Sub County Hospital Health Facility Management Committee.
- Accounting Officer/ Medical Superintendent
- Hospital Management Team

**(d) Fiduciary Management**

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

No.	Designation	Name
1.	CECM-County Treasury	Bernard Katungi
2.	CECM-Health and Sanitation	Dr. Winnie Kitetu
3.	Chief Officer- County Treasury	Justus Kalii
4.	Chief Officer-Health and Sanitation	Kioko Kiilu
5.	Medical Superintendent	Dr. Diana Mwendu

**(e) Fiduciary Oversight Arrangements**

- Kitui County Assembly Public Investment and Accounts Committee
- Kitui County Assembly County Budget and Appropriation Committee
- Kitui County Assembly Finance and Economic Planning Committee
- Kitui County Budget and Economic Forum
- Controller of Budget
- National Treasury

**f. Entity Headquarters**

P.O. Box 110-90207  
Ikutha Level IV Hospital  
Ikutha, Kitui

**g. Entity Contacts**

Telephone: 0745 624 264  
E-mail: [Ikuthahospital@gmail.com](mailto:Ikuthahospital@gmail.com)  
Physical address: Located within Ikutha market opposite main bus stage.  
Website: [www.kitui.go.ke](http://www.kitui.go.ke)

**h. Entity Bankers**

Kenya Commercial Bank  
Kitui Branch  
P. O. Box 683- 90200

Kitui, Kenya

**i. Independent Auditors**

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

**j. Principal Legal Adviser**

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

**k. County Attorney**

P.O. Box 33-90200  
Kitui, Kenya

### 3. The Board of Management

Ref	Directors	Details
1.	Nicholas Ivuti Kisengese	Chairperson
2.	Dr. Diana Mwendu	Medical Superintendent/Secretary
3.	Florence Ngalai	Kitui South Sub County Administrator
4.	Elizabeth Karua	Representative, Professional Groups
5.	Jennifer Ndinda	Representative, Women Groups
6.	Bishop Wilfred Muoka	Representative, Faith Based Organizations
7.	Justus Mutunga Philip	Representative, NYC
8.	Alex Mwendu Nyamai	Representative, PLWDs
9.	Wambua Kaviti	Representative, Business Community

**4. Key Management Team**

<b>Ref</b>	<b>Management</b>	<b>Details</b>
1.	Bernard Katungi	CECM-County Treasury
2.	Dr. Winnie Kitetu	CECM-Health and Sanitation
3.	Justus Kalii	Chief Officer- County Treasury
4.	Kioko Kiilu	Chief Officer-Health and Sanitation
5.	Dr. Diana Mwendu	Medical Superintendent
6.	CPA Winnie Mue	Head of Finance
7.	John Maluki	Head of Nursing
8.	Nancy Nzisa	Head of supply chain
9.	Brian Malombe	Head of Laboratory
10.	James Muema	Head of Pharmacy
11.	Answer Syombua	Head of Nutrition
12.	Sylvester John	Head of Dental Department
13.	Nicholas Ngala	Head of Radiology
14.	Benjamin Muuo	Head of Orthopaedic
15.	Miriam Muia	Head of Records Department
16.	Festus Kimeu	Head of Ophthalmology
17.	Justopher Kinyamasyo	Head of Revenue
18.	Joseph Maleve	Head of Clinical Department
19.	Joyce Nyamai	Health Administrative Officer

## **5. Chairman's Statement**

I am pleased to address you on behalf of the Board of Management of Ikutha Subcounty Hospital, as we reflect on the accomplishments and challenges of the fiscal year 2021/2022.

The past year has been marked by significant progress and achievements, indicative of our unwavering commitment to improving healthcare delivery within our community. Among the notable successes, the operationalization of the orthopedic and trauma units stands out as a milestone, facilitating specialized care for patients with musculoskeletal injuries and conditions.

Furthermore, the establishment of dental, eye, and palliative care units has broadened our scope of services, ensuring comprehensive healthcare provision to our populace. Equally noteworthy is the successful equipping of the maternity theater, enhancing maternal and neonatal care and contributing to safer childbirth experiences for mothers and infants.

Despite these commendable achievements, our journey has not been devoid of challenges. Foremost among these challenges is the persistent issue of water scarcity, compelling us to incur additional costs in purchasing water to meet the hospital's needs. Moreover, budgetary constraints and delayed funding have posed significant hurdles, impeding our ability to execute planned initiatives and procure essential resources in a timely manner.

Staff shortage and the lack of basic equipment continue to present formidable challenges, affecting the efficiency and quality of healthcare delivery. However, in the face of these obstacles, we remain resolute in our commitment to surmounting them and advancing our mandate of providing accessible and quality healthcare to all.

Looking ahead, we are poised to confront these challenges with renewed vigor and determination. Our future outlook is characterized by a steadfast commitment to addressing infrastructure and resource gaps, bolstering staff capacity through training and recruitment, and forging strategic partnerships to leverage support and resources for sustainable healthcare development.

In conclusion, I extend my sincere appreciation to all stakeholders, including staff, partners, and the community, for their unwavering support and dedication. Together, we will continue to strive for excellence and make Ikutha Subcounty Hospital a beacon of hope and healing for generations to come.



.....  
**Nicholas Ivuti Kisengese**

**Chairman to the Board**

## **6. Report of The Medical Superintendent**

Ikutha Level 4 Hospital was established during the colonial government times in 1948 by the then District Commissioner Jackson Mahony as Ikutha Health Centre. The facility at the time operated under the Government of Kenya Health Policy which later transitioned to the Health Facility Management Committee as was established under the National Health Sector Strategic Plan of Kenya (2012) on 31/5/2017. Ikutha Health Centre was later upgraded to Ikutha Level 4 Hospital on 1st November, 2016 under the (Gazette Notice No. 9319). The hospital is now governed by a Health Facility Management Committee.

The hospital is located within Ikutha ward in Kitui South Subcounty in Ikutha town approximately 100km from Kitui town along Kitui - Kibwezi Road, within Ikutha market and neighbouring Ikutha Vocational Technical Training Institute.

The hospital has a catchment population is mostly made up of people of the kamba ethnicity. The hospital serves people from Ikutha, Mutha, Kanziko and Athi Wards.

It also acts as a referral link facility for 6 health centres, 24 dispensaries and 3 private health facilities within Kitui South Sub County.

Ikutha Level 4 Hospital refers most of its patients to Our Lady of Lourdes Mutomo Mission Hospital, Kitui County Referral Hospital and occasionally to Makindu Hospital which is about 70km in the neighbouring Makueni County.

The climate where the facility is located is semi-arid; it receives roughly 50.5mm of rain throughout the year with two rainy seasons (one long around March and April, and one short, around October, November and December). The wettest month is November with 121mm of rainfall while the driest month is July with 1mm of rainfall.

The vast majority of the economy within the region is driven by subsistence farming and livestock rearing despite the fact that these activities are extremely challenging endeavours given the sporadic rainfall received in the region.

Christianity is the dominant religion in the region.

In the financial year 2021/2022 the hospital generated Ksh 8,529,750 in revenue. The funds were generated as the patients paid for the services that they received in the facility.

The facility received an equivalent of Ksh 10,730,340 from the Kitui County government on Monthly disbursement basis through the Facility improvement funds (FIF).

These funds are used to run the day-to-day activities of the facility and also to pay wages for the contracted officers.

The comprehensive guide on how the funds were utilised is outlined in a later part of this report.

In the Financial Year 2021/2022 the facility management was able to operationalize a 30-bed capacity Inpatient, Maternity and New born Units to cater for both the general medical, paediatrics, maternity, labour and new born patients.

The facility hosts a number infrastructural blocks within the grounds namely:

- Maternity, NBU and Theatre Block: Status- Incomplete-Operational
- Outpatient, Laboratory and Pharmacy Block: Status- Incomplete/ Renovations ongoing
- Radiology Block: Status-Complete-Operational
- Paediatric ward Block-Complete and Operating as Administration Block
- Kitchen Block-Status-Complete and Operational
- Main store-Status- Complete, Operational-in need of renovation
- General Wards-Status-Complete, Operational as the Non-Pharmaceutical store
- Staff Quarters-Status-Operational

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- Laundry Block-Status-Incomplete partially Operational
- Main Theatre-Incomplete and Non-Operational
- OPD Store-Incomplete-Not Operational

During this fiscal year the facility was able to run the maternity department including normal labour and the new born unit.

In keeping with the environmental sustainability efforts within the County the facility managed to plant more than 10 trees within the facility and thus contributed to these efforts.

Among the challenges that the facility faced in the financial year that ended June 2022 include but not limited to: Insufficient funding, Delayed disbursement of funds (FIF) to the facility, Severe staff shortage, Unreliable source of water, broken down equipment, lack of basic equipment to deliver services, Infrastructure challenges including: - Stalled projects and incomplete buildings

The future outlook for the facility includes liaising closely with the Kitui County government and the stakeholders to propel the facility forward so that it can function fully at a level 4 capacity and thus be able to serve the people of Kitui South and Kitui at large more efficiently. I in tandem with the Hospital Management Team shall work closely with the Facility Board of management, the Ministry of Health and Sanitation leadership and the County government leadership and all the stakeholders to achieve this objective.

Among but not limited to the pertinent issues that we shall work on closely in future include:

Adequate staffing according to the staffing norms agreed upon by the Kenya quality model for health and the World Health Organization.

Setting up a reliable water supply for the facility

Operationalisation of the Maternity Theatre.

Completion of the stalled projects including Main operating theatre, OPD store.

Levelling and grading of the hospital grounds

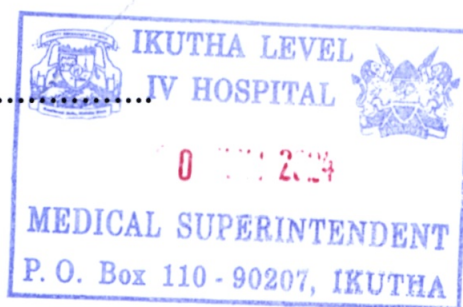
Planting more drought resistant trees

Equipping of the Eye, Dental, Physiotherapy and Occupational Therapy departments.



**Dr. Diana Mwende**

**Secretary to the Board**



**7. Statement of Performance Against Predetermined Objectives**

Ikutha Level IV Hospital has 3 strategic pillars within the current Strategic Plan for the FY 2021- FY 2022.

These strategic pillars are as follows;

Pillar 1: Prevention of Mother to Child Transmission (PMTCT)

Pillar 2: Quality Service Delivery

Pillar 3: Increase Revenue generated

Ikutha Level IV Hospital develops its annual work plans based on the above 3 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The facility achieved its performance targets set for the FY 2021/2022 period for its 3 strategic pillars, as indicated in the diagram below:

<b>Strategic Pillar/Theme/Issues</b>	<b>Objective</b>	<b>Key Performance Indicators</b>	<b>Activities</b>	<b>Achievements</b>
Prevention of Mother to Child Transmission (PMTCT)	Prevention of Mother to Child Transmission (PMTCT)	<b>-Eliminate HEI cases</b>	-ANC screening during & after for any anomalies with the mother or unborn child	<b>-Few to zero HEI cases</b> <b>-Reduced mortality cases during and afterbirth</b>
Quality Service Delivery	Offer quality services to all our clients	<b>Excellent health care services</b>	<b>--Improving on the hospital programmes</b> <b>- Regular staff training</b> <b>- Implementing the client's feedback or concerns</b>	
Increase Revenue		<b>Increased revenue collection</b>	<b>-Reviewing daily reports to close any gaps.</b>	<b>Realised the target of collecting over a</b>

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			<b>- Training revenue clerks on NHIF system for optimal claims success.</b>	<b>million every month.</b>
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## **8. Corporate Governance Statement**

Ikutha level 4 Hospital Health Facility Management Committee was established in accordance with the Kitui County health facilities management committee act, 2014 and was gazetted on 14<sup>th</sup> February 2022 under gazette notice number 3147 and as a result were only able to hold 1 meeting in that fiscal year.

### **Membership**

The total membership of the committee is Nine (9) members who were nominated by the County Executive Committee Member for Health and Sanitation Madam Ruth Koki and forwarded to the Governor, Kitui County for approval.

The committee consists of: -

1. The chairperson Mr Nicodemus Ivuti Kisengese who was nominated by the County Executive Committee Member for Health and Sanitation and approved by the Governor Kitui County
2. The secretary to the committee and ex-officio, Dr Evans Adino who is the Medical Superintendent of the hospital
3. The Sub-County Administrator- Florence Ngalai
4. The Business community representative Mr Wambua Kaviti
5. Representative of professional groups Elizabeth Karua
6. Representative of women's groups- Jennifer Ndinda Olendi
7. Representative of Faith based organisations- Bishop Wilfred Muoka Makau
8. Representative of Youth through the National Youth council- Mr Justus Mutunga Philip
9. Representative of people living with disability with bias to gender rule based on other members of the committee -Mr Alex Mwendu Nyamai

### **Succession**

The succession to the facility health management committee is as follows: -

A member of the committee, apart from the ex-officio, shall hold office for a period of three years and shall be eligible for re- appointment for one further term based on the performance.

### **Funds of the Committee**

The Hospital Management Committee shall manage all the hospital funds which consist of:

- Monies appropriated by the County Assembly;
- Grants or donations
- Monies received as user charges
- Income generated from the proceeds of the services
- Any other monies

### **Meetings of the Committee**

- (a) The committee shall meet at least four times a year and shall maintain records for its deliberations and shall further allow room for emergency meetings in case of outbreaks or disasters.
- (b) The quorum for the meeting of the committee shall be five of all the members including the secretary.
- (c) The secretary shall maintain records for all committee deliberations.
- (d) The Committee shall, not later than twenty-eight (28) days after a meeting, submit copies of the minutes and reports of that meeting to the County Executive Committee Member and the committee members.
- (e) A meeting of a committee shall be held at the hospital in respect of which the committee is established.

- (f) The County Executive Committee Member may attend any meeting of a committee, provided the area members of the county assembly in the sub-county where the hospital is situated shall be at liberty to attend any meetings of the committee in furtherance of their oversight role.

**Functions of the Hospital Management Committee**

The committee shall –

- (a) Supervise and control the administration of the funds allocated to Ikutha level 4 hospital
- (b) The hospital management committee shall through minutes request for the authority to open and operate a bank account from the County Executive Committee Member
- (c) Prepare specific hospital work plans based on the estimated expenditure and drugs stocking levels based on usage.
- (d) Cause to be kept basic books of accounts
- (e) Cause to be kept records of accounts of income, expenditure, assets and liabilities of the hospital.
- (f) Prepare and submit to the Chief officer in the department of health and sanitation certified periodical financial and performance reports as prescribed
- (g) Cause to be kept a permanent record of all its deliberations
- (h) Ensure planning that is consistent with the National and County Government policies, laws and regulations.
- (i) Review and approve all hospital plans including but not limited to development plans, service delivery plans and activities plans
- (j) Provide oversight to the hospital
- (k) Approve and authorise hospital budgets and expenditure.

**Core responsibilities of the Ikutha level 4 hospital Management Committee**

The responsibilities of the committee are outlined as follows: -

- (a) Overseeing hospital performance improvement
- (b) Participating in planning for the hospital
- (c) Mobilising resources for hospital improvement
- (d) Overseeing the financial operations of the hospital
- (e) Ensuring development of human resources
- (f) Ensuring compliance with environmental regulations and standards
- (g) Enhancing relationships and partnerships
- (h) Mitigating potential conflict of interest
- (i) Risk management
- (j) Regulatory compliance

**Vacation of office and remuneration of the committee members.**

A member of the Committee shall cease to hold office: -

- (a) if a member is absent from three consecutive meetings of the committee without permission from the chairperson
- (b) in the case of a member of a public benefits organization, the member ceases to hold the office by virtue of which his or her nomination was made
- (c) a member is convicted of a criminal offense and sentenced to a term of imprisonment of six months or more or a fine exceeding one hundred thousand Kenya shillings
- (d) a member ceases to reside or practice in the area of hospital jurisdiction
- (e) a member voluntarily resigns in writing from the committee formally
- (f) a member is found to be unfit to hold the position on medical grounds
- (g) a member dies
- (h) a member is involved in an act resulting to conflict of interest with the position held by the member

- (i) a member is guilty of gross misbehaviour or misconduct
- (j) a member is found to be incompetent to hold the position
- (k) a member is convicted of an offence involving dishonesty or fraud
- (l) a member is adjudged bankrupt or enters into a composition scheme of arrangement with his or her creditors or
- (m) a genuine petition from the public is lodged against the member.

**Remuneration: -**

The members' remuneration shall be determined by the Salaries and Remuneration Commission.

**Relationship between the Hospital Management team and Hospital Management Committee**

(1) The Hospital Management committee shall notify the hospital management team of all its meetings and ensure that the minutes and plans of every meeting are supplied to the hospital management team within seven (7) days of its meetings.

(2) The hospital management team shall ensure that the minutes received under this section are forwarded to the Chief Officer in the county ministry of health and sanitation who shall in turn brief the County Executive Committee member on the minutes and plans.

## 9. Management Discussion and Analysis

The following is a brief management discussion and analysis for the hospital: -

### Clinical/operational performance

Ikutha level 4 Hospital being strategically located within Kitui South Subcounty, receives patients from the neighbouring wards including Ikutha, Mutha, Kanziko and Athi wards.

The facility hosts a 30 bed capacity inpatient unit (includes NBU)

### Population estimates:

The following are the population estimates/targets for Ikutha subcounty hospital for the Year 2021 are as follows.

	<b>INDICATOR</b>	<b>ESTIMATED TOTAL</b>
1.	Total catchment population	13863
2.	Under 1 year population	374
3.	Under 5 year population	1456
4.	Under 15 year population	5836
5.	15-24 year population	3008
6.	25-59 year population	3882
7.	Population over 60 years	1054
8.	Women of child bearing age(15-49)	3299
9.	Estimated pregnant women	402
10	Estimated deliveries	388

### Outpatient Department:

The facility has been running a robust outpatient department that takes care of the accident and emergency patients and also the general outpatient population.

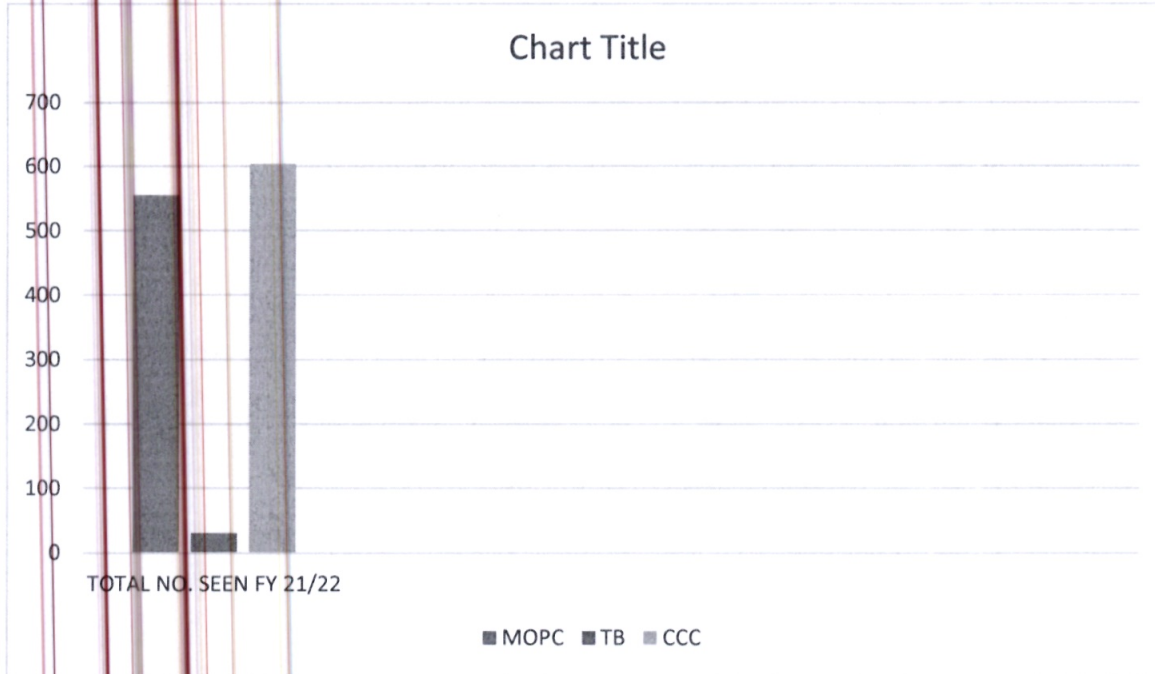
In the year ended June 2021, the overall target population for the hospital was 13,863 patients. A total of 24,626 patients were attended to at the outpatient which was an achievement and surpassing of the hospital target at 177%. This indicates that the facility outpatient services are accessible and well utilised by the target population. The distribution of outpatient attendances according to sex and age are outlined in the table below.

<b>SEX</b>	<b>TOTAL</b>
OVER 5 YEARS	18,868
UNDER 5 YEARS	5758
MALE UNDER 5	3207
MALE OVER 5	7646
FEMALE UNDER 5	2549

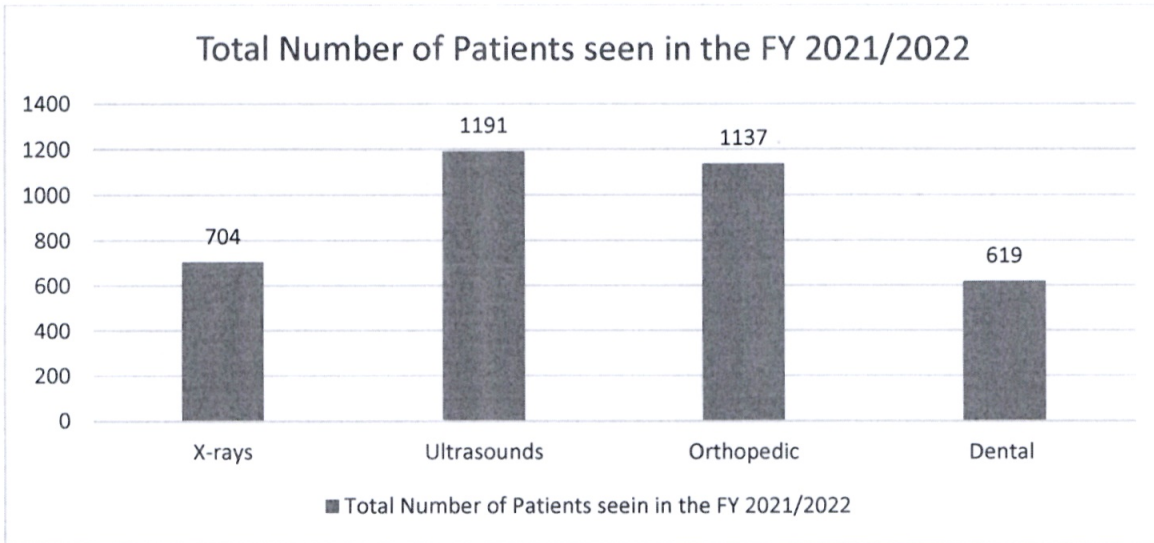
FEMALE OVER 5	11,222
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**SPECIALISED CLINIC ATTENDANCE**

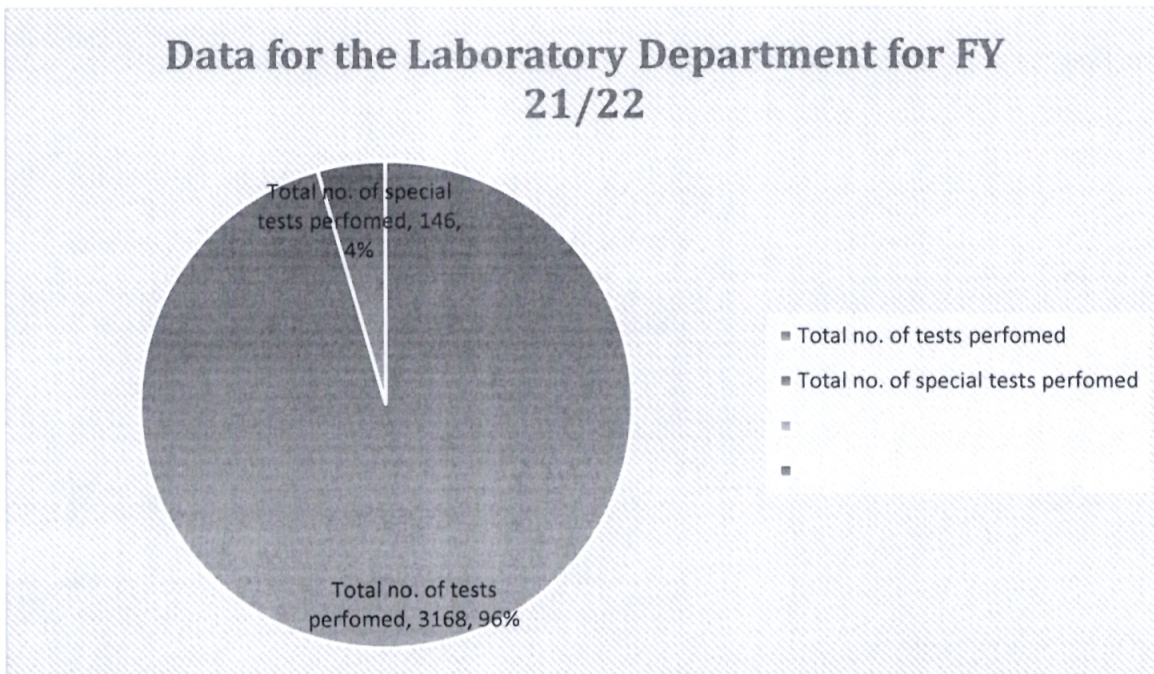
The following line graphs represent the Special Clinic attendances for year ended June 2022 including medical outpatient clinic (MOPC), Comprehensive care clinic (CCC) for HIV patients and Tuberculosis (TB) clinic.



The following data analysis symbolises the workload for the specialised departments for this FY as outlined in the graph below:



The Pie Chart below outlines the data for the Laboratory department for the same year

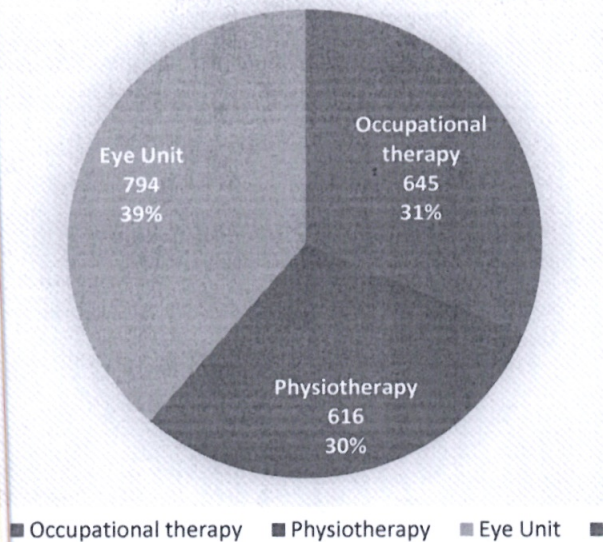


Some of the special tests performed at the facility include:

- Free PSA levels
- HBA1C
- Thyroid function tests
- Clinical chemistry
- Full Hemogram

The Pie chart below outlines data for the Rehabilitative Departments:

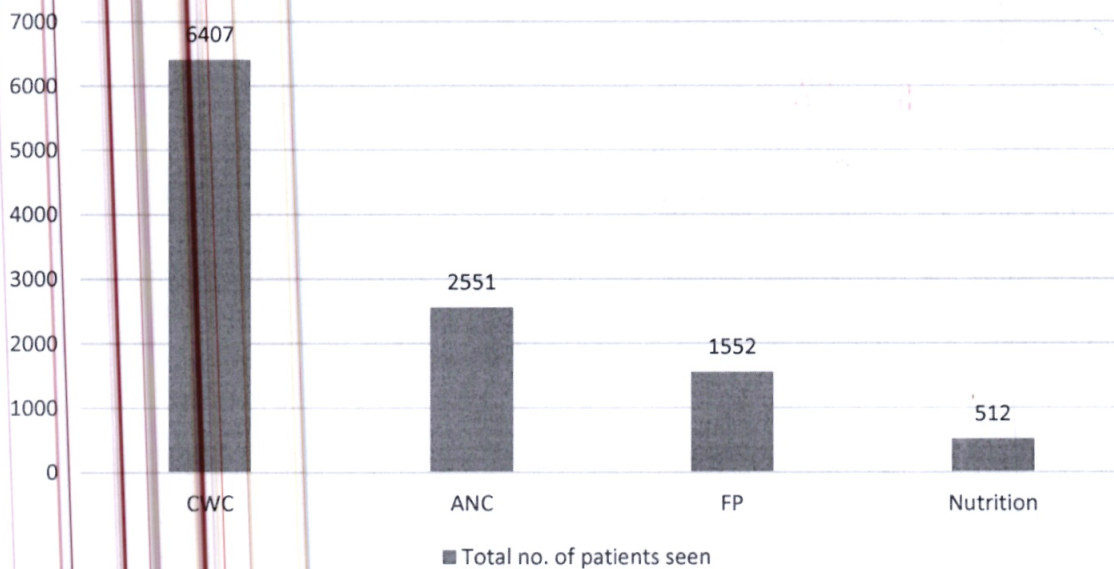
**Total no. of patients seen in FY 2021/2022**



The facility has been running the above rehabilitative departments to cater for people living with disability and thus achieving inclusivity however the facility still has a long journey ahead so as to render it fully disability friendly.

**The graph below outlines the workload for various MCH departments**

**Total no. of patients seen FY 2021/2022**



**The following table outlines the data for the maternity and inpatient data**

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	<b>WARD</b>	<b>ADMISSIONS(ANNUAL)</b>		<b>MONTHLY</b>
1.	MATERNITY	1137	1049 Deliveries CS (0)	94 admissions 87 Deliveries
2.	MEDICAL	334		28
3.	PEADIATRICS	160		13
4.	NEWBORN	133		11
	<b>TOTALS</b>	<b>1764</b>		<b>146</b>

**Financial performance that includes**

In the financial year ended June 2022, the facility collected a total of Kshs. 8,529,750.

The revenue was collected as service fees for the various health care services delivered to the patients throughout the year.

The patients pay for these services via two main methods: Mpesa and NHIF.

The major revenue source for the facility for the FY 2021/2022 were the funds that were disbursed from the County government in the form of FIF (facility improvement funds).

The total FIF allocated to the facility for financial year amounted to Kes. 11,469,732.

The funds were used to run the day-to-day activities of the facility including Food and ration, Cleaning materials, Casual wages, Locums, Daily subsistence allowances, Records materials, Water and Sewerage, Electricity, Fuels, Station Maintenance among others as outlined in detail in this financial statement.

.....  
**Name: Dr. Diana Mwendu**

**Secretary to the Board**



## **10. Environmental And Sustainability Reporting**

Ikutha level 4 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**

The facility is guided by the World Health Organization set norms and standards when delivering its services as well as the Kitui County Government Ministry goals and objectives for the year. The facility management has also been working closely with the Local governance, Community health personnel to interlink the facility to the community it serves and thus ensure quality health service delivery.

One of the ways the facility is dealing with the macroeconomic concern of unemployment is by making sure at least 80% of the contracted staff are sourced within the local community. This practice has not only helped relief the issue of local unemployment but also helped boost the economic growth of the surrounding community. The facility has also conducted several community outreaches within the region and thus taking the healthcare services closer the community. This has been essential in ensuring a healthy and robust community that is able to work and full capacity and contribute to the economic growth of the County and Country at large.

### **ii) Environmental performance**

Ikutha level 4 hospital is committed towards positively contributing towards the global environmental sustainability efforts.

The facility management has sought to unify all the key stakeholders: employees, management, partners, shareholders, patients and the community at large towards these efforts. Ikutha hospital environmental policy is currently in the process of being developed in close partnership with these stake holders.

Part of the efforts that the facility is putting towards environmental sustainability include planting of trees and greenery within the hospital compound, maintaining a clean and neat hospital compound and prudent use of water and electricity among others. We also have put in place several storage tanks that we use to store rain water harvested during the rainy season despite the fact that the area being a semi-arid area receives very low levels of rain.

The facilities waste disposal system follows the Kenya national guidelines for safe management of health care waste which includes the safe practices for management of medical waste.

The facility however has challenges with implementing this policy fully as it lacks an incinerator which is important for the disposal of certain medical waste. Most of the waste the facility generates is biohazard in nature and thus is disposed according to the national guidelines. The waste that does not require incineration

is disposed and discarded using the facility's burning chamber. Currently the facility utilises the incinerator at Mutomo level 4 hospital for the waste that requires incineration.

The facility is located in a semi-arid region and thus one of the biggest challenges it has faced this year is access to clean water. Despite this challenge however, the hospital administration has gone to great lengths to budget for and purchase water for the hospital to use.

### **iii) Employee welfare**

The employee hiring policy is handled at the County government level and cascaded down to the facility level. The facility participates in hiring contracted staff and is guided by the Kitui County Public Service Board guidelines on the same.

This year several of our staff have taken part in several trainings and refresher courses that are technical depending on their areas of speciality. This has helped improve skillmanship among the different cadres within the facility.

The staff have also undergone an appraisal system including work plan generation, quarterly reviews and biannual appraisals. This have been important in reviewing the outcomes/ outputs of all the departments' vs. the set goals and objectives at the beginning of the year.

According to the Occupational Health and Safety Act (2007) employers have a responsibility to provide a safe workplace for all the employees.

Some of the ways the facility has enforced the OSHA act in the facility include, providing Personal protective equipment and gear to all the employers including gloves, labcoats, gumboots, aprons, eye wear among other equipment. We have also made sure that the facility is clean and non-hazardous environment by practicing infection prevention and control guidelines (IPC) within the hospital. The facility has provided enough disinfectant solutions, water, soap and hand washing stations among others to enforce these guidelines.

Most the departments within the facility have also been provided with ergonomic chair and work tables/stations in order to support the employees as they deliver services to the clients.

The compound has also kept neat and clean with frequent bush clearing activities to reduce harmful animals like snakes and scorpions from accessing the work areas.

Most of the staff are also trained on the process to follow in the case of coming in contact with infectious material including a need prick etc however the facility recognises that there is need to train all our staff on this process and also documentation for the same.

In the future the facility management plans to work closely with the county to raise training need for all the staff on basic risks that can arise within the workplace include fires, accidents etc.

**iv) Market place practices-**

The following are the efforts of Ikutha level 4 hospital towards: -

**a) Responsible competition practice.**

The facility is committed to upholding responsible competition price practices and selects its suppliers based on the guidelines and laws outlined by the County government. The Supplies, commodities and services rendered are reviewed and audited periodically by the health management team of the facility.

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

The facility management in conjunction with the supply chain managers endeavour to maintain good business practices by honouring contracts given to suppliers and upholding payments in the timeliest manner possible.

**c) Responsible marketing and advertisement**

The facility endeavours to outline ethical marketing practices by adhering to the county government guides on marketing and advertisement.

**d) Product stewardship**

The facility also endeavours to safeguard consumer rights by educating consumers on their rights through public addresses, personal interviews and posters displaying the same information.

A patient complaints and compliments book are available should patients and clients feel the need to register complaints or compliments received while receiving a service at the facility

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

The facility management in close liaison with the board of management, County government of Kitui, the Kitui south sub county management team, public health officers, Health promotion officers have endeavoured to carry out activities of community engagement including giving health talks at chiefs baraza several times, massive deworming and nutrition campaigns in conjunction with NGOs, collaborating with the chiefs camp to provide relief food for the vulnerable patients e.g. the HIV positive clients. Through these engagements the facility has had a good working relationship with the surrounding community for this year.

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

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

### **Principal activities**

The principal activities of the entity are to provide medical services.

### **Results**

The results of the entity for the year ended June 30<sup>th</sup> 2022 are set out on pages 1 to 7

### **Board of Management**

The members of the Board who served during the year are shown on page vii.

### **Auditors**

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

By Order of the Board

Dr. Diana Mwendu  
Secretary of the Board



.....  
**Nicholas Kisengese**  
**Secretary to the Board**

## 12. Statement of Board of Management's Responsibilities

Section 164 of the Public Finance Management Act, 2012 requires the Board of Management to prepare financial statements in respect of Ikutha Level IV Hospital which give a true and fair view of the state of affairs of Ikutha Level IV 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 Ikutha level iv hospital keeps proper accounting records which disclose with reasonable accuracy the financial position of the hospital. The council members are also responsible for safeguarding the assets of the hospital.

The Board of Management is responsible for the preparation and presentation of Ikutha level iv hospital financial statements, which give a true and fair view of the state of affairs of the hospital for and as at the end of the financial year 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 the hospital (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

The Board of Management accepts responsibility for Ikutha level iv hospitals financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Board members are of the opinion that the hospitals financial statements give a true and fair view of the state of the hospitals transactions during the financial year ended June 30, 2023 and of the hospitals financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for Ikutha level iv hospital which have been relied upon in the preparation of the hospitals financial statements as well as the adequacy of the systems of internal financial control.

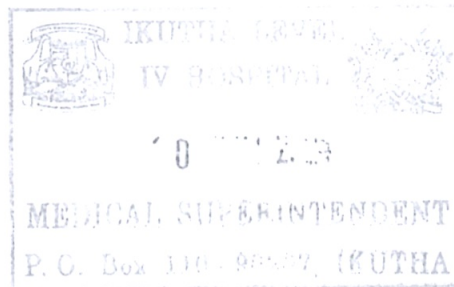
Nothing has come to the attention of the Board of management to indicate that Ikutha level iv hospital will not remain a going concern for at least the next twelve months from the date of this statement.

### Approval of the financial statements

The Hospital's financial statements were approved by the Board on 10/6/24 and signed on its behalf by:

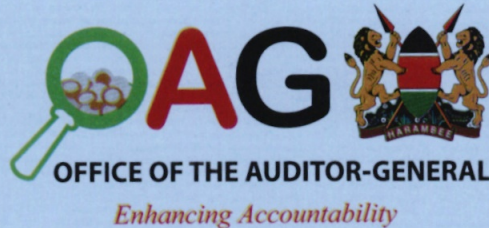
.....  
**Name: Mr Nick Kisengese**  
**Chairman of the board**

.....  
**Name: Dr Diana Mwendu**  
**Accounting Officer**



# REPUBLIC OF KENYA

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

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

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### PREAMBLE

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

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

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Ikutha Level 4 Hospital – County Government of Kitui set out on pages 1 to 34, which comprise of the statement of financial

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Ikutha Level 4 Hospital – County Government of Kitui as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, the County Governments Act, 2012 and the Health Act, 2017.

### **Basis for Qualified Opinion**

#### **1. Unconfirmed Income from Rendering of Medical Services**

The statement of financial performance as disclosed in Note 8 to the financial statements reflects income from rendering of medical services amount of Kshs.8,529,750. Included in this amount is revenue received through Mpesa totalling to Kshs.2,614,076 whose statements were not provided for audit.

In the circumstances, the accuracy and completeness of the revenue from rendering of medical services of Kshs.8,529,750 could not be confirmed.

#### **2. Non-Disclosure of Property, Plant and Equipment**

The statement of financial position and as disclosed in Note 17 to the financial statements reflects Nil balance on property, plant and equipment. However, physical inspection carried out revealed that the Hospital has assets including land and buildings, motor vehicles and furniture and equipment which have not been valued and disclosed in the financial statements. Management explained that these balances were omitted due to non-valuation. Further, the land on which the Hospital is built had no title deed.

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

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Ikutha Level 4 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 qualified opinion.

## Key Audit Matters

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

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### Basis for Conclusion

#### 1. Late Submission of Financial Statements

The financial statements for the year were submitted to the Office of the Auditor-General on 11 October, 2022 being eleven (11) days after the statutory deadline. This was contrary to Section 68 (2)(k) of the Public Finance Management Act, 2012 which requires an Accounting Officer to prepare annual financial statements for each financial year within three months after the end of the financial year.

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

#### 2. Deficiencies in Implementation of Universal Health Coverage

Review of Hospital records and interviews on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits by eighty-five (85) staff requirements or 84% of the authorized establishment.

Item	Level 4 Standard	Current Number	Variance	Percentage %
Medical Officers	16	4	12	75
Anesthesiologists	2	0	2	100
General Surgeons	2	0	2	100
Gynecologists	2	0	2	100
Pediatricians	2	0	2	100
Registered Community Health Nurses	75	11	64	87
Radiologists	2	1	1	50
<b>Total</b>	<b>101</b>	<b>16</b>	<b>85</b>	<b>84</b>

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

Item	Level 4 Standard	Current Number	Variance	Percentage %
Bed Capacity	150	50	100	67
Resuscitative in Theatre	1	1	0	0
Resuscitative in Labour Ward	2	1	1	50
Functional ICU Beds	6	0	6	100
Functional HDU Beds	6	0	6	100
Incubators in New Born Unit	5	6	(1)	(20)
Baby Cots	5	6	(1)	(20)
HDU Cots in New Born Unit	6	0	6	100
Operating Theatres (General & Maternity)	2	0	2	100
Renal Unit with Dialysis Machines	5	0	5	100

These deficiencies contravene the First Schedule of Health Act, 2017 and imply that accessing the highest attainable standard of health, which includes the right to health care services, including reproductive health care as required by Article 43(1) of the Constitution of Kenya, 2010 may not be achieved.

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

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

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

### Conclusion

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

## **Basis for Conclusion**

### **Lack of Risk Management Policy**

The audit revealed that the Hospital did not have a risk management policy in place. This was contrary to Regulation 158 of the Public Finance Management (County Governments) Regulations, 2015 that provides that the County Governments entity shall develop risk management strategies, which include fraud prevention mechanism; and a system of risk management and internal control that builds robust business operations.

In the circumstances, the internal controls and risk management of the Hospital may not be effective.

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 Management and the Board of Management**

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

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

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

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

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

and risk management, and ensuring the adequacy and effectiveness of the control environment.

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

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls 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 controls would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of 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 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 continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Hospital to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Hospital to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
FCPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**27 June, 2024**

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

Description	Notes	2021/22 Kshs	2020/ 21 Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from the County Government	6	11,439,732	-
In-kind contributions from the County Government – Medical Supplies	7	3,399,057	-
<b>Revenue from exchange transactions</b>			
Rendering of services- Medical Service Income	8	8,529,750	-
<b>Total revenue</b>		<b>23,368,539</b>	<b>-</b>
<b>Expenses</b>			
Medical/Clinical costs	9	5,363,314	-
Employee costs	10	4,328,500	-
Board of Management Expenses	11	20,000	-
Repairs and maintenance	12	458,550	-
Transfer to County Revenue Fund	13	8,529,750	-
General expenses	14	2,943,506	-
<b>Total expenses</b>		<b>21,643,620</b>	<b>-</b>
<b>Other gains/(losses)</b>			
Medical services contracts Gains/Losses	-	-	-
Impairment loss	-	(-)	-
<b>Total other gains/(losses)</b>		<b>-</b>	<b>-</b>
<b>Net Surplus for the year</b>		<b>1,724,919</b>	<b>-</b>
Attributable to:			
Surplus/(deficit) attributable to minority interest		-	(-)
Surplus attributable to owners of the controlling entity		-	-
Changes in Bank balances			-

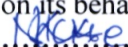
(The notes set out on pages 7 to 33 form an integral part of the Annual Financial Statements.)


**Ikutha Hospital (Kitui County Government)**


**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2022**

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The Hospital's financial statements were approved by the Board on 10/6/22 and signed on its behalf by:

  
.....  
**Nicholas Ivuti**  
**Chairman**  
**Board of Management**

  
.....  
**Head of Finance**  
**ICPAK No:**

  
.....  
**Dr. Diana Mwende**  
**Medical Superintendent**



**15. Statement of Financial Position As At 30<sup>th</sup> June 2022**

Description	Notes	2021/22 Kshs	2020/21 Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	15	111,476	-
Inventories	16	1,678,233	-
<b>Total Current Assets</b>		<b>1,789,709</b>	-
<b>Non-current assets</b>			
Property, plant, and equipment	17	-	-
<b>Total Non-current Assets</b>		-	-
<b>Total assets</b>		<b>1,789,709</b>	-
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	18	223,840	-
<b>Total Current Liabilities</b>		<b>223,840</b>	-
<b>Non-current liabilities</b>			
		-	-
<b>Total Non-current liabilities</b>		-	-
<b>Total Liabilities</b>		<b>223,840</b>	-
<b>Net assets</b>			
Revaluation reserve		-	-
Accumulated surplus/Deficit		<b>1,565,869</b>	-
Capital Fund		-	-
		-	-
<b>Total Net Assets and Liabilities</b>		<b>1,789,709</b>	-

*(The notes set out on pages 7 to 33 form an integral part of the Annual Financial Statements.)*

The Hospital's financial statements were approved by the Board on 16/6/22 and signed on its behalf by:

Nicholas Ivuti  
.....  
**Nicholas Ivuti**  
Chairman  
Board of Management

ADCT  
.....  
**Head of Finance**  
ICPAK No:

Dr. Diana Mwende  
.....  
**Dr. Diana Mwende**  
Medical Superintendent



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

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

	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
<b>As at July 1, 2020</b>	-	-	-	-
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	<b>(159,050.00)</b>			<b>(159,050)</b>
Capital/Development grants	-	-	-	-
<b>As at June 30, 2021</b>	-	-	-	-
<b>At July 1, 2021</b>	(159,050.00)	-	-	(159,050.00)
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	1,724,919.00	-	-	1,724,919
Capital/Development grants	-	-	-	-
<b>At June 30, 2022</b>	1,565,869.00	-	-	1,565,869.00

**17. Statement of Cash Flows for The Year Ended 30 June 2023**

<b>Description</b>	<b>Note</b>	<b>2021/22 Kshs</b>	<b>2020/21 Kshs</b>
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the County Government		11,439,732	-
In-kind contributions from the County Government – Medical Supplies			
Rendering of services- Medical Service Income		8,529,750	-
<b>Total Receipts</b>		<b>19,969,482</b>	<b>-</b>
<b>Payments</b>			
Medical/Clinical costs		3,642,490	-
Employee costs		4,328,500	-
Board of Management Expenses		20,000	-
Repairs and maintenance		458,550	-
Rendering of services- Medical Service expenses		8,529,750	-
General expenses		2,943,506	-
<b>Total Payments</b>		<b>19,922,796</b>	<b>-</b>
<b>Net cash flows from operating activities</b>		<b>46,686</b>	<b>-</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment, & intangible assets		(-)	(-)
<b>Net cash flows used in investing activities</b>		<b>(-)</b>	<b>(-)</b>
<b>Cash flows from financing activities</b>			
Capital grants received		-	-
<b>Net cash flows used in financing activities</b>		<b>(-)</b>	<b>(-)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>-</b>	<b>(-)</b>
Cash and cash equivalents at 1 July	15	142,430	-
<b>Cash and cash equivalents at 30 June</b>	<b>15</b>	<b>111,476</b>	<b>-</b>

**Ikutha Hospital (Kitui County Government)**

**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2022**

**18. Statement of Comparison of Budget and Actual Amounts for 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	
<b>Revenue</b>						
Transfers from the County Government	13,200,000	-	13,200,000	11,439,732	1,760,268	87 %
Grants from donors and development partners	-	-	-	-	-	%
Transfers from other Government entities	-	-	-	-	-	-
Public contributions and donations	-	-	-	-	-	-
Rendering of services-Medical Service Income	8,529,750	-	8,529,750	8,529,750	-	100 %
Revenue from rent of facilities	-	-	-	-	-	%
Finance / interest income	-	-	-	-	-	%
Miscellaneous receipts (specify)	-	-	-	-	-	%
<b>Total income</b>	<b>21,729,750</b>	<b>-</b>	<b>21,729,750</b>	<b>19,969,482</b>	<b>-</b>	<b>92 %</b>
<b>Expenses</b>						
Medical/Clinical costs	4,262,642	-	4,262,642	3,642,490	620,152	85 %
Employee costs	5,006,656	-	5,006,656	4,328,500	678,156	86 %
Remuneration of directors	20,000	-	20,000	20,000	-	100 %
Repairs and maintenance	530,147	-	530,147	458,550	71,597	86 %
Rendering of services-Medical Service expenses	8,529,750	-	8,529,750	8,529,750	-	100 %
General expenses	3,380,555	-	3,380,555	2,943,506	437,049	87 %
Finance costs	-	-	-	-	-	%
Refunds	-	-	-	-	-	%
<b>Surplus for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>46,686</b>	<b>-</b>	<b>%</b>
<b>Capital expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>%</b>

## **19. Notes to the Financial Statements**

### **1. General Information**

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

### **2. Statement of Compliance and Basis of Preparation**

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

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

#### **Adoption of New and Revised Standards**

#### **1. New and amended standards and interpretations in issue effective in the year ended 30 June 2022.**

<b>Standard</b>	<b>Effective date and impact</b>
<b>IPSAS 41:</b> Financial Instruments	<b>Applicable: 1<sup>st</sup> January 2023</b> 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

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

Standard	Effective date and impact
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 29: Financial instruments: Recognition and Measurement</i></li> </ul> <p>Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> 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	<i>Applicable 1<sup>st</sup> January 2025</i>

<b>Standard</b>	<b>Effective date and impact</b>
	<p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <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><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The Standard requires:-</p> <ol style="list-style-type: none"><li>i. 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:</li><li>ii. 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.</li></ol>

***iii) Early adoption of standards***

The Entity did not early – adopt any new or amended standards in the financial year or *the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity’s financial statements.)*

**3. 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. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the asset that has been acquired using such funds.

**ii) 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.

**Rental income**

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

*Notes to the Financial Statements (Continued)*

**b. Budget information**

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

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

**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.

*Notes to the Financial Statements (Continued)*

**d. Investment property**

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

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

**e. Property, plant and equipment**

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

*Notes to the Financial Statements (Continued)*

**f. Leases**

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

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

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

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

**g. Intangible assets**

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

*Notes to the Financial Statements (Continued)*

**h. Research and development costs**

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

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

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

**i. Financial instruments**

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

*Notes to the Financial Statements (Continued)*

**Financial assets**

**Classification of financial assets**

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

**Subsequent measurement**

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

**Amortized cost**

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

***Notes to the Financial Statements (Continued)***

**Fair value through net assets/ equity**

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Fair value through surplus or deficit**

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

**Trade and other receivables**

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

**Impairment**

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note xx*.

**Financial liabilities**

**Classification**

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

*Notes to the Financial Statements (Continued)*

**j. 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.

**k. 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.

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

*Notes to the Financial Statements (Continued)*

**l. Social Benefits**

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

**m. 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.

**n. 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.

**o. Nature and purpose of reserves**

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

**p. 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.

*Notes to the Financial Statements (Continued)*

**q. 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.

**r. 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.

**s. 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.

**t. 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.

*Notes to the Financial Statements (Continued)*

**u. 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.

**v. 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.

**w. Comparative figures**

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

**x. 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.

#### **4. 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:

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

##### **Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

## Notes to Financial Statements Continued

## 6 Transfers from the County Government

Description	2021/22	2020/21
	KShs	KShs
<b>Unconditional grants</b>		
Operational grant	11,439,732	-
Level 5 grants	-	-
Other grants	-	-
	<b>11,439,732</b>	<b>-</b>
<b>Conditional grants</b>		
User fee forgone	-	-
Transforming health services for Universal care project (THUCP)	-	-
DANIDA	-	-
Wards Development grant	-	-
Paediatric block grant	-	-
Administration block grant	-	-
Laboratory grant	-	-
<b>Total government grants and subsidies</b>	<b>11,439,732</b>	<b>-</b>

## 6. a Transfers from the County Government

Name of the Entity sending the grant	Amount recognized to Statement of financial performance KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	Total 2021/22
			KShs	KShs	KShs
Kitui County Government	11,439,732	-	-	-	11,439,732
<b>Total</b>	<b>11,439,732</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,439,732</b>

**Notes to Financial Statements Continued**

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

<b>Description</b>	<b>2022/21</b>	<b>2020/21</b>
	<b>KShs</b>	<b>KShs</b>
Salaries and wages	-	-
Medical supplies-Drawings Rights (KEMSA)	-	-
Pharmaceuticals and Non-Pharmaceutical Supplies (other suppliers)	3,399,075	-
Utility bills	-	-
<b>Total grants in kind</b>	<b>3,399,075</b>	<b>-</b>

**Notes to Financial Statements Continued**

**8. Rendering of Medical Service Income**

<b>Description</b>	<b>2022/21</b>	<b>2020/21</b>
	<b>KShs</b>	<b>KShs</b>
Pharmaceuticals	4,264,875	-
Non-Pharmaceuticals	-	-
Laboratory	3,411,900	-
Radiology	-	-
Orthopedic and Trauma Technology	-	-
Theatre	-	-
Accident and Emergency Service	-	-
Anesthesia Service	-	-
Ear Nose and Throat service	-	-
Nutrition service	-	-
Cancer centre service	-	-
Dental services	-	-
Reproductive health	-	-
Paediatrics services	-	-
Farewell home services	-	-
Other medical services income	852,975	-
<b>Total revenue from the rendering of services</b>	<b>8,529,750</b>	<b>-</b>

**Notes to the Financial Statements (Continued)**

**9. Medical/ Clinical Costs**

<b>Description</b>	<b>2021/22</b>	<b>2020/21</b>
	<b>KShs</b>	<b>KShs</b>
Dental costs/ materials	545,650	-
Laboratory chemicals and reagents	-	-
Public health activities	-	-
Food and Ration	1,048,740	-
Uniform, clothing, and linen	-	-
Pharmaceutical and Non-Pharmaceuticals supplies	1,720,824	3,399,057-
Health information stationery	-	-
Reproductive health materials	-	-
Sanitary and cleansing Materials	253,500	-
Purchase of Medical gases	-	-
X-Ray/Radiology supplies	87,000	-
Refined Fuel	1,707,600	-
Other medical related clinical costs	-	-
<b>Total medical/ clinical costs</b>	<b>5,363,314</b>	<b>-</b>

**10. Employee Costs**

<b>Description</b>	<b>2021/22</b>	<b>2020/21</b>
	<b>KShs</b>	<b>KShs</b>
Salaries, wages, and allowances	4,188,500	-
Contributions to pension schemes	-	-
Service gratuity	-	-
Performance and other bonuses	-	-
Staff medical expenses and Insurance cover	32,000	-
Group personal accident insurance and WIBA	-	-
Social contribution	108,000	-
Other employee costs ( <i>Disease Surveillance</i> )	-	-
<b>Employee costs</b>	<b>4,328,500</b>	<b>-</b>

**Notes to the Financial Statements (Continued)**

**11. Board of Management Expenses**

Description	2021/22	2020/21
	Kshs	Kshs
Chairman's Honoraria	-	-
Sitting allowance	20,000	-
Mileage	-	-
Insurance expenses	-	-
Induction and training	-	-
Travel and accommodation allowance	-	-
Airtime allowances	-	-
<b>Total</b>	<b>20,000</b>	<b>-</b>

**12. Repairs And Maintenance**

Description	2022/21	2021/22
	Kshs	Kshs
Property- Buildings	20,000	-
Medical equipment	-	-
Office equipment	-	-
Furniture and fittings	-	-
Computers and accessories	-	-
Motor vehicle expenses	438,550	-
Maintenance of civil works	-	-
<b>Total repairs and maintenance</b>	<b>458,550</b>	<b>-</b>

**13. Transfers of Rendering of Medical Services Income to the County Revenue Fund**

Name of the Entity Receiving the funds	Amount recognized in the Financial Statement KShs	Total Amount recognized in the Financial Statement KShs
Kitui County Government	8,529,750	8,529,750
<b>Total</b>	<b>8,529,750</b>	<b>8,529,750</b>

**Notes to the Financial Statements (Continued)**

**14. General Expenses**

<b>Description</b>	<b>2021/22</b>	<b>2020/21</b>
	<b>KShs</b>	<b>KShs</b>
Advertising and publicity expenses	-	-
Catering expenses	-	-
Waste management expenses	-	-
Insecticides and rodenticides	-	-
Audit fees	-	-
Bank charges	9,606	-
Conferences and delegations	-	-
Consultancy fees	-	-
Contracted services	1,142,005	-
Electricity expenses	488,850	-
Insurance	-	-
Research and development expenses	-	-
Travel and accommodation allowance	-	-
Legal expenses	-	-
Licenses and permits	-	-
Courier and postal services	-	-
Printing and stationery	965,735	-
Hire charges	-	-
Rent expenses	-	-
Water and sewerage costs	257,310	-
Skills development levies	-	-
Telephone and mobile phone services	80,000	-
Internet expenses	-	-
Staff training and development	-	-
Subscriptions to professional bodies	-	-
Subscriptions to newspapers periodical, magazines, and gazette notices	-	-
Library books/Materials	-	-
Parking charges	-	-
<b>Total General Expenses</b>	<b>2,943,506</b>	<b>-</b>

**Notes to the Financial Statements (Continued)**

**15. Cash And Cash Equivalents**

<b>Description</b>	<b>2021/22</b>	<b>2020/21</b>
	<b>KShs</b>	<b>KShs</b>
Current accounts	111,476	-
On - call deposits	-	-
Fixed deposits accounts	-	-
Cash in hand	-	-
Others( <i>specify</i> )- Mobile money	-	-
<b>Total cash and cash equivalents</b>	<b>111,476</b>	<b>-</b>

**Notes to the Financial Statements (Continued)**

**15 (a). Detailed Analysis of Cash and Cash Equivalents**

<b>Description</b>		<b>2021/22</b>	<b>2020/21</b>
<b>Financial institution</b>	<b>Account number</b>	<b>KShs</b>	<b>KShs</b>
<b>a) Current account</b>			
Kenya Commercial bank	1217309373	111,476.40	-
		-	-
<b>Grand total</b>		<b>111,476.40</b>	<b>-</b>

**16. Inventories**

<b>Description</b>	<b>2021/22</b>	<b>2020/21</b>
	<b>KShs</b>	<b>KShs</b>
Pharmaceutical supplies	1,678,233	-
Maintenance supplies	-	-
Food supplies	-	-
Linen and clothing supplies	-	-
Cleaning materials supplies	-	-
General supplies	-	-
Less: provision for impairment of stocks	(-)	(-)
<b>Total</b>	<b>1,678,233</b>	<b>-</b>

*Ikutha Hospital (Kitui County Government)*

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*Notes to the Financial Statements (Continued)*

**17. Property, Plant and Equipment**

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

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

**Ikutha Hospital (Kitui County Government)**  
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**Notes to the Financial Statements (Continued)**

**Notes to the Financial Statements (Continued)**

**18. Trade and other Payables**

Description	2022/21		2020/21	
	KShs		KShs	
Trade payables	223,840		-	
Employee dues	-		-	
Third-party payments (e.g. unremitted payroll deductions)	-		-	
Audit fee	-		-	
Doctors' fee	-		-	
<b>Total trade and other payables</b>	<b>223,840</b>		<b>-</b>	
<b>Ageing analysis:</b>	<b>2022/21</b>	<b>% of the Total</b>	<b>2020/21</b>	<b>% of the total</b>
Under one year	-	%	-	%
1-2 years	223,840	100%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
<b>Total</b>	<b>223,840</b>	<b>100%</b>	<b>-</b>	<b>%</b>

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**Notes to the Financial Statements (Continued)**

**19. Cash Generated from Operations**

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

**Notes to the Financial Statements (Continued)**

**20. Financial Risk Management**

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

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

**(i) Credit risk**

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2021</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from –non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2022</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from –non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	-	-	-	-

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**Notes to the Financial Statements (Continued)**

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has no significant concentration of credit risk on amounts due. The board of management sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**(ii) Liquidity risk management**

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2021</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2022</b>				
Trade payables	-	223,840	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	<b>223,840</b>	-	-

**Notes to the Financial Statements (Continued)**

**(iii) Market risk**

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

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

**a) Foreign currency risk**

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

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

**Notes to the Financial Statements (Continued)**

**Foreign currency sensitivity analysis**

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

**b) Interest rate risk**

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

**Management of interest rate risk**

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

**Notes to the Financial Statements (Continued)**

**Sensitivity analysis**

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

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

**Notes to the Financial Statements (Continued)**

**21. Related Party Balances**

**Nature of related party relationships**

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

Kitui County Government is the principal shareholder of the hospital, holding 100% of the hospital equity interest. The National Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external. The related parties include:

- i) The National Government;
- ii) The County Government;
- iii) Board of Directors;
- iv) Key Management

**22. Events after the Reporting Period**

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

**23. Ultimate and Holding Entity**

The entity is a State Corporation Government Agency under the Department of Health. Its ultimate parent is the County Government of Kitui.

**24. Currency**

The financial statements are presented in Kenya Shillings (Kshs) and all values are rounded off to the nearest shilling.

**20. Appendices**



**Appendix 1: Progress on Follow up of Auditor Recommendations**

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

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

**Guidance Notes:**

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

.....  
  
**Dr. Diana Mwendu**  
**Accounting Officer**  


**Ikutha Hospital (Kitui County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023**

**Appendix III: Inter-Entity Confirmation Letter**

Ikutha Level IV Hospital

The CGOK wishes to confirm the amounts disbursed to you as at 30<sup>th</sup> June 2022 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

<b>Confirmation of amounts received by [Insert name of beneficiary entity] as at 30<sup>th</sup> June 2022</b>							
Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (KShs) as at 30th June 2022				Amount Received by [beneficiary entity] (KShs) as at 30 <sup>th</sup> June 2022 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter– Ministerial (C)	Total (D)=(A+B+C)		
0001057	21/07/2021	30,000	0	0	30,000	30,000	0
0001063	17/09/2021	1,100,000	0	0	1,100,000	1,100,000	0
0001063	18/10/2021	1,100,000	0	0	1,100,000	1,100,000	0
0001066	22/11/2021	1,100,000	0	0	1,100,000	1,100,000	0
0001067	23/12/2021	1,100,000	0	0	1,100,000	1,100,000	0
0001068	14/01/2022	800,340	0	0	800,340	800,340	0
-	9/02/2022	1,100,000	0	0	1,100,000	1,100,000	0
0001072	9/03/2022	1,100,000	0	0	1,100,000	1,100,000	0
0001073	20/04/2022	1,100,000	0	0	1,100,000	1,100,000	0
-	17/05/2022	1,100,000	0	0	1,100,000	1,100,000	0
-	8/06/2022	1,100,000	0	0	1,100,000	1,100,000	0
-	15/07/2022	739,392	0	0	739,392	739,392	0

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Total		<b>11,469,732</b>	<b>0</b>	<b>0</b>	<b>11,469,732</b>	<b>11,469,732</b>	<b>0</b>
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In confirm that the amounts shown above are correct as of the date indicated.

**Head of Accounts Department of the beneficiary entity:**

Name ..... *Dr. Denis Mwendu* ..... Sign ..... *[Signature]* ..... Date *10/6/23* .....

