

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

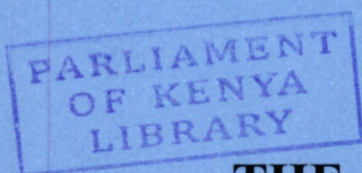
ON

MUHORONI COUNTY LEVEL 4 HOSPITAL

FOR THE YEAR ENDED

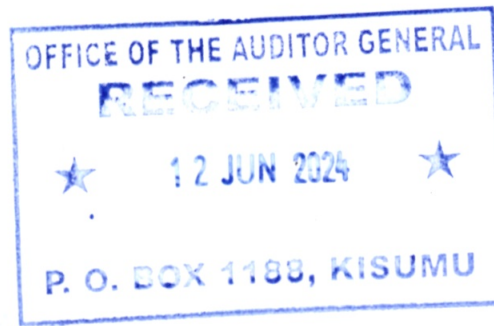
30 JUNE, 2023

COUNTY GOVERNMENT OF KISUMU



25/09/24
G.M.L.
Angela

Revised 30th June 2023



MUHORONICOUNTY LEVEL IVHOSPITAL (Kisumu County Government)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2023

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

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1. Acronyms & Glossary of Terms

MCH	Muhoroni County Level 4 Hospital
HMT	Hospital management team
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

Muhoroni County Hospital is a level (4) hospital established under gazette notice number 786 and is domiciled in Kisumu County under the Department of Medical Services, Public Health and Sanitation Health & Sanitation Department.

The hospital is governed by a Board of Management.

(b) Principal Activities

The Muhoroni County Hospital, an entity of County Government of Kisumu seeks to realize;

Vision:

A peaceful and prosperous County where all citizens enjoy high quality life and sense of belonging.

The Hospital exists to fulfil:

Mission:

To realize the full potential of devolution and meet the development aspirations of the people of Kisumu County.

Strategic Objectives (S.O.) of Medical Services, Public Health and Sanitation Department, County Government of Kisumu.

S.O. 1: Accelerate reduction in the burden of communicable diseases

S.O. 2: Halt, and reverse the rising burden of non- communicable conditions

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S.O. 3: Reduce burden of violence and injuries

S.O.4: Improve persons centered essential health services

S.O.5: Minimize Exposure to Health Risk Factors by strengthening health promotion interventions which address risk factors to health

S.O.6: Strengthen Collaboration with Health-Related Sectors

(c) Key Management

The *hospital's* management is under the following key organs:

- County department of Medical Services, Public Health and Sanitation
- Board of Management
- Accounting Officer/ Medical Superintendent
- Management
- Others, committee and sub committees

(d) Fiduciary Management;

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

No.	Designation	Name
1.	Medical Superintendent	Dr. David Akuom
2	Health Administration Officer	Mr. Josiah Ongai
	Health Administrative Officer	Mr. Peter Opala
	Acting Administrative Officer	Mrs. Evaline Ogola
3.	Head of Nursing	Mr Jacob Ngachra
	Head of Nursing	Mrs Emily Wasungu
4.	Head of laboratory	Mr. Julius Okuku
	Head of Laboratory	Mr Zacheus Simba
5.	Head of Pharmacy	Mr. Kevin Otieno
6.	Head of Clinical services	Mrs. Winnie Adoyo
	Head of Clinical Services	Dr. Nigel Likoko
7.	Health Records and Information Head	Ms Patricia Ruddy
8.	Biomedical Engineer	Mr Aloyce Mboya

(e) Fiduciary Oversight Arrangements

Muhoroni County Hospital governed by a board of hospital management (HMB) as gazetted periodically via the Kenya Gazette notices, and the hospital management team (HMT) comprising of the Hospital heads of units and departments, the Medical Superintendent Chairs the HMT and is the secretary to the HMB.

There are committees and sub committees comprising of members appointed from both HMB and HMT playing oversight over the internal control mechanisms within the entity, namely Hospital Ethic Committee, Hospital Anti-Corruption Committees, Executive Expenditure Committee, Hospital Human Resource Advisory Committee, Hospital Audit Committee, Medicines and Therapeutics Committee and Quality Management Committee.

The hospital management works under direct oversight by the Kisumu County Government Department of Medical Services Public Health and Sanitation Chief Officer; the director Medical services and director Public Health and Sanitation under the patronage by the Kisumu County Executive Committee Member.

Key Entity Information and Management (continued)

(f) Entity Headquarters

MUHORONI COUNTY HOSPITAL
P.O. Box 71
Muhoroni,
KENYA

(g) Entity Contacts

Telephone: (+254) 782238520
E-mail: muhoronisdh@gmail.com

(h) Entity Bankers

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Commercial Banks

1. Cooperative bank of Kenya
2. Kenya Commercial Bank

(i) Independent Auditors

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

(j) Principal Legal Adviser

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



(k) County Attorney

P.O. Box. 2738 - 40100
Kisumu, Kenya



3. The Board of Management

Ref	Directors	Details
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<p>1)</p>	 <p>MR EDWARD ONYANGO OGWANG CHAIRPERSON OF THE HOSPITAL MANAGEMENT BOARD.</p>	<p>QUALIFICATION AND WORK EXPERIENCE</p> <p>BUSINESS MANAGEMENT HEAD OF MUHORONI SUGAR BELT TRANSPORTERS ASSOCIATION FARM MECHANIC APPRENTICE</p>
<p>2)</p>	 <p>BISHOP SIMON PETER OKWAMA BOARD MEMBER REPRESENTING FAITH BASED ORGANISATION</p>	<p>QUALIFICATION AND WORK EXPERIENCE</p> <p>CHARPLEIN MUHORONI COUNTY HOSPITAL BISHOP KISUMU ARCH DIOCESE LEGIO MARIA AFRICAN CHURCH</p>

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<p>1)</p>	 <p>MR EDWARD ONYANGO OGWANG CHAIRPERSON OF THE HOSPITAL MANAGEMENT BOARD.</p>	<p>QUALIFICATION AND WORK EXPERIENCE</p> <p>BUSINESS MANAGEMENT HEAD OF MUHORONI SUGAR BELT TRANSPORTERS ASSOCIATION FARM MECHANIC APPRENTICE</p>
<p>2)</p>	 <p>BISHOP SIMON PETER OKWAMA BOARD MEMBER REPRESENTING FAITH BASED ORGANISATION</p>	<p>QUALIFICATION AND WORK EXPERIENCE</p> <p>CHARPLEIN MUHORONI COUNTY HOSPITAL BISHOP KISUMU ARCH DIOCESE LEGIO MARIA AFRICAN CHURCH</p>

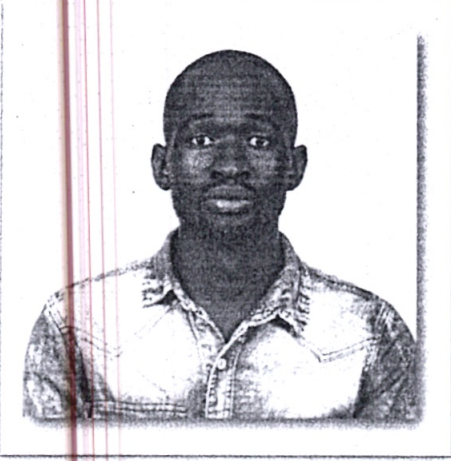

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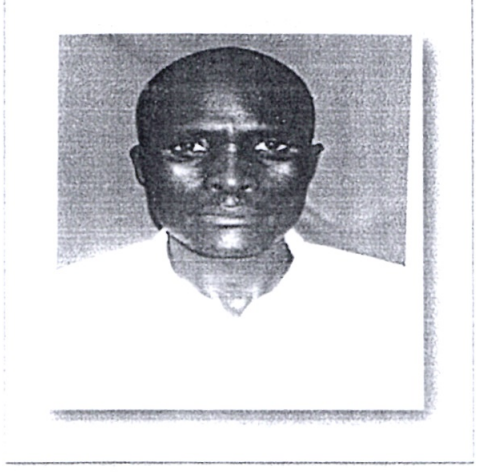
5)	 <p>DR. AKUOM, DAVID ODHIAMBO MEDICAL SUPERINTENDENT/ CEO OF THE HOSPITAL</p>	<p>MEDICAL SUPERINTENDENT/ CEO OF THE HOSPITAL</p> <p>SECRETARY HOSPITAL BOARD OF MANAGEMENT SENIOR MEDICAL OFFICER</p> <p>BACHELOR OF MEDICINE AND BACHELOR OF SURGERY WITH INFORMATION TECHNOLOGY</p> <p>PROFESSIONAL QUALIFICATION IN SENIOR LEVEL MANAGEMENT</p>
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4. Key Management Team

Ref	Management	Details
1.	 <p>Dr. Akuom, David Odhiambo Medical Superintendent/ Ceo Of The Hospital</p>	<p>Medical Superintendent/ CEO Of The Hospital Secretary To The Hospital Board Of Management Senior Medical Officer</p> <p>Bachelor Of Medicine And Bachelor C Surgery With Information Technology</p> <p>Professional Qualification In Senior Level Management</p>
2.	 <p>Mrs Scholastica Mzera</p>	<p>Head of Nursing Services Chief Registered Nurse KRCHN</p>

3.	 <p>Mr. John Kauma</p>	<p>Hospital Administrative Officer, HAC Diploma in Public Health Certificate in Business Administration</p>
4.	 <p>Mr. Zacchaeus Simba</p>	<p>Head of Laboratory Services Laboratory Manager Diploma in Medical Laboratory Science B.Sc. in Medical Laboratory Science</p>

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5. **Dr. Nigel Likoko**

**Director Clinical Services
Senior Medical Officer
Bachelor of Medicine and Bachelor
Surgery**



6. **Mr. Benson Omware**

**Acting Head of Pharmaceutical Service
Bachelor of Pharmacy**



**Head Rehabilitative Services
Occupation Therapist
Diploma in Occupation Therapy**

7. **Oscar Olweny**



**Head of General Ward
KRCHN**

8. **Winnie Ocheche**

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**Head Dental Services
Community Oral Health Worker,
COHO**



9. **George Owino**



**Head Public Health Services
Bachelor of Science Public Health**

10. **Elizabeth Oriko**

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11.	 <p>Hilda Akech</p>	<p>Head Health Products and Technolog KRCHN</p>
12.	 <p>Hillary Osome</p>	<p>Head Nutrition Services Assistant Nutrionist Officer Diploma in Nutrition and Dietetics</p>





13. **Thomas Owino**

**Head Community Health Unit
Community Health Assistant, CHA
Diploma in Environmental Health
Sciences**



14. **Aloyce Mbuya**

**Head Biomedical Engineering Service
Diploma in Biomedical Engineering**

15.	 <p>Lynette Adhiambo Owuocha</p>	<p>Head of Maternity Registered Nurse BSC CH&D</p>
16.	 <p>Salim Onyango</p>	<p>Clinical Officer In charge Registered Clinical Officer Diploma in Clinical Medicine and Surgery</p>



17. **Deograteous Okoth Opande**

**Head of Quality Management,
Training, Research & CME
Registered Clinical Officer
Diploma in Clinical Medicine &
Surgery,
Certified Expert in Key Population
Research & Programming**



18. **Patricia Odongo**

**Head Health Records and Information
Health Records Officer III
Diploma in Health Record
Certificate in Monitoring and
Evaluation**

5. Chairman's Statement

On behalf of the Board, I acknowledge that we are responsible for this hospital entity governance. I am specifically responsible for the leadership of the Board, ensuring its effectiveness on all aspects of its role, including good governance in dealing with our core mandate. This includes ensuring that Board meetings are held in an open manner, that the directors receive accurate, timely and clear information and allowing sufficient time for agenda items to be discussed. I am also responsible for effective communications with stakeholders and acting as a link between the hospital and the community in providing holistic care.

The Board remains committed to maintaining and evolving high standards of oversight throughout the entity

On behalf of the board of directors' of Muhoroni County Hospital, I am pleased to present the 2023 financial statements of the hospital, the financial year ("FY 2022/23")

Inflation has continued through the years supported by subdued demand pressure, rising food prices (lower than-average rainfall) and higher global oil prices. Against the United States Dollar, the Kenya Shilling depreciated by 6.6% to close the year at 146.15. There were disruptions across supply chains, together with the depreciation of the shilling, increased the cost of doing business and impacted on our business spend management.

Nevertheless, despite facing an ongoing volatile and uncertain economic situation, we managed to overcome these hurdles by tapping into our robust fundamentals and providing the much sorted aid to our patients during this period

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The Hospital remains resilient in delivering quality health services as per the hospital vision and mission to the catchment population and beyond the borders in spite of the challenging and hard economic times.

The Board of management remains ambitious in its pursuit of excellence in the healthcare space as reflected in the implementation of the annual work plan and the annual budgets.



MR Ogwang Edward

Chairman, Board of Management

6. Report of the Medical Superintendent

I am pleased to present to you the key highlights of the Annual Report and Financial Statements for the year ended 30th June 2023 for Muhoroni County Hospital. The hospital management received a total of **Kshs 8,507,583**. **Kshs 6,217,083** paid out on different expenses during the period, the hospital current liabilities stood at **Kshs 4,386,332** as pending bills at the period end.

The management prioritized the strengthening of governance frameworks, progressing infrastructure projects as well as playing an active role in managing the financial performance of the Hospital. To achieve this, the hospital engaged the right people into a revamped organizational structure. We believe that the right transformational initiatives will continue yielding results, even in a highly dynamic operating environment. Patient satisfaction is at the centre of what we do. We compliment this with competent and experienced and courteous admitting staff, cutting across different health disciplines.

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We pride ourselves for a seamless integration of all these medical services to deliver the highest standard of healthcare. We have reviewed our existing processes, policies, and procedures to respond better to our clients' preferences. This report contains some of the highlights in various functions

EXPENDITURE

The hospital's direct costs increased by 55% in 2023, while overheads rose by 16%. While the increase in the expense lines was generally in line with the volatile economic situation in the country and ever increasing costs of production and prices of commodities, i.e. cost of referral services, food and ratios prices etc. more than commensurate adverse increases were driven by disruptions in supply chains (increased demurrage and shipping costs) and the depreciation of the Kenya Shilling against major currencies, particularly the United States Dollar (USD). By December 2022, the shilling exchanged at 140 against the USD, up from 113 at the same time in 2021.

In 2022, we reviewed our supply chain extensively to extract efficiencies, enabling us to continuously maintain our cost base at optimum levels.

NURSING SERVICES

During the period the department saw change of leadership as Mrs Emily Wasungu was posted out and replaced with Mr. Jacob Ngachra as head of nursing services.

Quality nursing care remains the pillar of differential healthcare for the Muhoroni County Hospital patient. The division employs various approaches to enhance care and improve quality. The nursing team has focused on training in quality and patient safety goals

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To further enhance quality, Nurses were trained in various hospital sponsored specializations including Critical Care Nursing, Perioperative Nursing, Kenya Registered Midwifery Training, Accident and Emergency Nursing.

In 2022, the Average length of stay sustained at 3 days, lower than previous year. This was however in contrast with WHO data that indicates the length of stay in Africa during the post covid era to be 5 to 7 days. The patient loyalty score remained above 80% for most part of the year with patient concerns being addressed promptly.

IMAGING & RADIOLOGY

In keeping with the vision of the hospital to provide cutting edge service, the hospital is in the process to acquire digital x-ray machine and we continue to offer quality antenatal ultrasound services that have helped save many maternal and foetal lives thus reducing maternal and foetal mortalities.

LABORATORY SERVICES

This department too saw change of leadership Mr. Julius Okuku posted out and replaced by Mr Zacheus Simba as head of Laboratory services.

Revenue from laboratory tests decreased by 8 % in 2022 over 2021, attributed largely to decreased frequencies in running of tests and, and great reduction in COVID-19.

The laboratory continued its path of digital transformation, some expanded test panels include STD panel and ANC panels. Some of the new tests include HPV and stool for H pylori antigen test

In 2022 the laboratory TAT improved from 78% to 80%, attributed to the KAIZEN improvement project which the lab has been able to sustain. •

The Laboratory expansion project has started with completion expected within 2024. This is expected to further boost outcomes and improve turnaround times and expand service delivery.

PHARMACY SERVICES

The departmental quality objective on monitoring turnaround time (TAT) is on track. All outpatient pharmacies met the target of serving over 80% of patients within 20 minutes. The overall outpatient average was at 83%. The hospital's turnover reduced by 8% primarily driven by decrease in patient numbers in of 2022, the hospital completely separated the dispensing area from the stores further complementing its service delivery efficiency.

HUMAN RESOURCES

The Human Resources (HR) Division continued to ensure that the institution attracted employees with the required skills and experiences and to further retain, motivate and develop them. Investing in employees remained paramount, a key pillar in realizing the hospital's strategic objectives.

Central to this was attracting the right talent in key positions; some support staff positions still remain unfilled even as the hospital struggles to ensure compliance with the minimum wage bill as gazetted by the republic of Kenya.

We aim to uphold the values that the institution stands for and promote these within our human capital. This process involves culture surveys aimed at getting feedback from staff as to their wellbeing and working conditions.

LOOKING FORWARD

We recognize that our leadership position as the Hub in the hub and spoke model primary health care being modelled towards UHC realization in Muhoroni sub county, Kisumu County that requires us to provide clear standards in the way health services are provided.

Fortunately our strategic plan grants a clear roadmap on enhancing service delivery. Crucial to this is the implementation of the key operational systems, the Hospital Information Management System (HMIS)

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strengthening the revenue collection, efficient data collection and reducing the patient's turnaround time in different departments' thus efficient service delivery to our patients as well as the implementation of infrastructure projects and continuous replacement of obsolete medical equipment.

Looking into the future, we foresee strong growth and expanding returns stemming from operations, expanded service delivery points and greater collaboration with respective providers

APPRECIATION

I take this opportunity to express my appreciation to the Chairperson and Members of the Board of Management for their guidance and support throughout our transformation journey. I acknowledge the contribution of our entire Staff and Management towards the performance of the hospital. They worked tirelessly through the challenges of 2022 and demonstrated an enduring commitment to provide excellent services to our clients. Thanks also to members of the Admitting Staff for their continued collegial support


Dr. Akuoni O. David

Medical Superintendent

Muhoroni County Hospital

County Government of Kisumu

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7. Statement of Performance Against Predetermined Objectives

It is my responsibility to provide the required leadership in designing suitable plans and strategies that will contribute to high and sustainable socio- economic development.

MUHORONI COUNTY HOSPITAL has 3Annual Program Based Service Delivery Work planand objectives within the current FY 2022-2023.

These 3 Annual Program Based Service Delivery are;

Program 1: Curative and Rehabilitative Health Services;Program Outcome: Effective and efficient curative and rehabilitative health care services to the county citizens

Program Objective: To provide effective and efficient curative and rehabilitative at all health **service delivery units**

Program 2: Preventive and Promotive Health Services;Program Outcome: Effective and efficient preventive and promotive health interventions within the county

Program Objective: To provide effective and efficient preventive and promotive health interventions across the county

Program 3: General Administration, Planning, Management Support and Coordination; Program Outcome: Effective and efficient preventive and promotive health interventions within the county

Program Objective: To provide effective and efficient preventive and promotive health interventions across the county

Muhoroni County Hospital develops its annual work plan based on the above 3programs and 12 sub programs.

Assessment of the Board's performance against its annual work plan is done on a quarterly basis.

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The Muhoroni County Hospital Board of Management achieved its performance targets set for the FY 2021/2022 period for its 12 sub programs under the 3 main program based areas, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Sub Program 1: Hospital Service delivery	4	Number of Blood drives for blood and transfusion services	Blood drives for blood and transfusion services	0
	2	Number of children Under 5 dying in health facility	Children Under 5 dying in health facility	7
	20	Number of surgical cold cases operated	surgical cold cases operated	19
	4	Community based rehabilitation outreaches	Community based rehabilitation outreaches	4
	12	Number clients referred for further management to level 5	Referral for further management to level 5	230
Sub Program	100%	% of pregnant women getting iron	pregnant women	43%

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2:Reproductive Maternal Neonatal Child Health (RMNCH) Services/RMNCAH dashboard		supplements	getting iron supplements	
	100%	% of under five years treated for Diarrhoea	under five years treated for Diarrhoea	100%
	100%	% of Pregnant women attending at least 4 ANC visits	Pregnant women attending at least 4 ANC visits	62%
	100%	Women of reproductive age (WRA) receiving family planning (FP) commodities coverage	Women of reproductive age (WRA) receiving family planning (FP) commodities coverage	45%
	554	Deliveries conducted by skilled attendants in health facilities coverage	Deliveries conducted by skilled attendants in health facilities	730
	0%	Under 1 year Penta 1 dropout rates	Penta 1 dropout rates	16%
	100%	Children under 1 year of age fully	Children under 1	76%

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		immunized coverage	year of age fully immunized coverage	
Sub Program 3: Nutrition Services	100%	Proportion of ANC Mothers provided with Combined folate	Proportion of ANC Mothers provided with Combined folate	44%
	<5%	% of Children under 5 years attending Child Welfare Clinics who are stunted	Children under 5 years attending Child Welfare Clinics who are stunted	0.06%
Sub Program 4: TB Control Interventions	70	Number of TB cases Identified	TB cases Identified	70
	100%	Proportion of TB Patients tested for HIV	TB Patients tested for HIV	24%
	0	Number of MDR TB diagnosed	MDR TB diagnosed	0
Sub program 5: HIV/AIDS prevention interventions	95	Number of PLWHIV newly identified	PLWHIV newly identified	56
	0%	Proportion of deliveries from HIV+ve Mothers	deliveries from HIV+ve Mothers	9%

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	>95%	Proportion of HIV clients on ART virally suppressed	HIV Viral Suppression	95%
Sub program 6: Malaria Control Interventions	100%	Proportion of Children under 1 distributed with Long Lasting Insecticide Treated Nets (LLITNs) in endemic and epidemic districts	Children under 1 distributed with Long Lasting Insecticide Treated Nets (LLITNs)	73%
	100%	Proportion Pregnant women receiving LLITNs	Pregnant women receiving LLITNs	93%
	100%	Proportion of pregnant women receiving IPT2	pregnant women receiving IPT2	58%
	<25%	Proportion of patients testing Malaria positive among those suspected to have Malaria	Malaria Positivity rate	16%
Sub Program 7: Non-Communicable Disease Control	594	Number of Women of Reproductive Age screened for cervical cancers	Women of Reproductive Age screened for cervical cancers	124
	20	Number of new Outpatients with mental health conditions	new Outpatients with mental health conditions	30
	20	Number of new Outpatients found with high blood pressure	new Outpatients found with high blood pressure	37

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Sub Program 8: Gender based violence /GRM Interventions	60	Number of new outpatient cases attributed to gender-based violence	new outpatient cases attributed to gender-based violence	65
Sub Program 9: Health workers and Human Resource Management	16	Total number of Medical officers	number of Medical officers	2
	24	Total number of Clinical Officers	number of Clinical Officers	10
	127	Total number of Nursing staffs	number of Nursing staffs	26
	18	Total Number of Laboratory staffs	Number of Laboratory staffs	10
	0	Total number of staffs on sick leave	number of staffs on sick leave	1
	1	Total number on study leave	number on study leave	0

8. Corporate Governance Statement

The County Government of Kisumu has instituted systems to ensure that high standards of governance are maintained at all levels of the Hospital.

The Hospital Board of Management recognizes the importance of corporate governance and as such it carries out its mandate with honesty, openness, and integrity.

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The Board of Management is responsible for the provision of oversight to the operational activities of the Hospital on behalf of the members of the public and citizen of Kenya in line with the manifesto of the Governor and Ministry of Health regulations and guidelines.

They are also entrusted with the responsibility of ensuring strong corporate governance and ethical practices within the Hospital. Their role extends to ensuring that the Hospital complies with the relevant laws.

The Board members attach great importance to the need to conduct the business and operations of the Hospital with integrity and in accordance with generally accepted corporate best practices.

Below are the key features of corporate governance structures and internal control systems put in place and that were in operation during the year.

BOARD OF MANAGEMENT

The Board of Management is composed of non-executive appointed members via The Kenya Gazette Notices after every 3 years.

Exercising the powers conferred by Article 183 and 186(1) of the constitution of Kenya 2010, and Part 2 of the Fourth schedule thereof, section 36 of the County Government Act and section 20 (n), (o), and (p) of the Health Act, 2017, the Kisumu County Executive Committee Member for Medical Services, Public Health and Sanitation, appointed on 11th October 2019 via The Kenya Gazette Notice issue 404 the following (see table below) to the Muhoroni Sub-County Hospital board for a term of 3 years to serve on part-time basis;

Name	Role
Mr Edward Onyango Ogwang	Chairperson of the Hospital management Board.
Mr Jarim odada	Board member in charge of financial management
Mr Simon Peter Okwama	Board member representing faith based organisation
Ms Rose Wanyama	Board member representing H.C.S.D
Mr. Joshua Odingo	Board member representing Professionals
Ms Susan Akinyi Ogola	Board member representing Youths
Mr Billy Adero	Member
Dr. David Akuom	Medical Superintendent & secretary to the Board.

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The Board is held accountable and responsible for the effective governance of the institution. Members of the Board have a broad range of skills and experience, and each brings independent judgment and unique expertise and advisory perspectives to the Board's deliberations.

Summarized below are the key roles and responsibilities of the Board:

- Approve and adopt strategic plans and annual budgets, set objectives, and review key risk and performance areas.
- Determine overall policies and procedures to ensure integrity of the Hospital's management of risk and internal controls.
- Review, at regular meetings, Management's performance against approved deliverables.

The full Board meets at least five times a year and the Chairperson holds weekly meetings with the Chief Executive Officer.

The Board members are given appropriate and timely information to enable them maintain full and effective control over strategic, financial, operational and compliance matters.

Except for direction and guidance on general policy, the Board has delegated authority for conduct of day-to-day business to the Chief Executive Officer. The Board nonetheless retains responsibility for establishing and maintaining the Hospital's overall internal control, financial, operational and compliance framework.

The Board meets quarterly as per its annual work plan or additionally when necessary to consider matters of entity oversight. The Board's agenda and work plan are prepared early in the year and adequate notice, agenda and Board papers are circulated within the stipulated timeline.

The Main Board held 8 meetings attended as follows:

Member	Meetings Attended
Mr Edward Onyango Ogwang	5
Mr Jarim odada	5
Mr Simon Peter Okwama	5
Ms Rose Wanyama	5
Mr. Joshua Odingo	5
Ms Susan Akinyi Ogola	0
Mr Billy Adero	5
Dr. David Akuom	5

BOARD REMUNERATION

Hospital Board of Management members provide services to the entity to which they are entitled to a remuneration as provided for by the SRC guidelines and circulars on Remuneration of board members for level IV hospitals.

They are paid a standard fee for attending Board meetings, board committee meetings and any other entity business that they may be called to undertake.

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9. Management Discussion and Analysis

Clinical/operational performance

Data from the Health records and information department shows the following details as to clinical/operational performance of Muhoroni County Hospital in the financial years of 2021/2022 and 2022/2023:

Performance Item/ Activity	Unit of count/ measure	Financial year	
		2021 -2022	2022 - 2023
Bed capacity of the hospital	No. of beds	44	44
Overall patient attendance during the year; both inpatient & outpatient	No. of patients	14771	12786
Accident and emergency attendance	No. of attendances	53	88
Specialised clinic	No. of attendances	3001	2454

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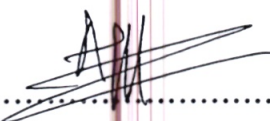
attendance			
Average length of stay for inpatient	No. of days	3	3
Bed occupancy rate	Percentage	80%	78%
Mortality rate	Percentage	0.4%	0.2%
Surgical theatre utilisation – CS deliveries	No. of procedures	93	90
Surgical theatre utilisation – minor operations (circumcisions)	No. of procedures	636	569

The hospital lacks accidents and emergency department. As such all cases received within the periods above were all referred to either Kisumu County Referral Hospital or Jaramogi Oginga Odinga Teaching and Referral Hospital

Financial performance that includes

During the period the FY 2022-2023, Muhoroni County Hospital generated its revenues from the on-source revenue collections (service charges), NHIF and MARWA disbursements as well as the recurrent funds from the County Government of Kisumu.

The funds for the FY 2022 – 2023 were spent as per the details of this report



Dr Akuom O. David
Medical Superintendent

Muhoroni County Hospital

Secretary to the Board

County Government of Kisumu

10. Environmental And Sustainability Reporting

Muhoroni County Hospital (MCH) 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.

The Board of Management of Muhoroni County Hospital is committed to both the protection of the environment and evaluating the impact that the entity's services can have.

Compliance with legislation is the minimum standard to which the hospital shall adhere.

The hospital shall also endeavour to follow best practice with due regard for its entity needs, in line with the requirements of NEMA and the expectations of all interested parties.

The objectives for the Hospital under this policy are to:

- Reduce the carbon footprint of the Hospital,
- Reduce energy consumption,
- Minimise the production of all types of waste, especially paper. Encourage reuse, recycling and the disposal of other waste that cannot be avoided, in a responsible manner.

All board members and Hospital management team are responsible for communicating and implementing this Policy and ensure that;

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- a) Employees and contractors are encouraged to be receptive to the personal impact they can have on this policy and to report areas of concern.
- b) Training is provided as part of staff development taking into account responsibilities.
- c) Efforts are made to minimize travel by maximising IT systems.
- d) Favour the use of suppliers who are committed to environmental good practice.
- e) Carbon offsetting is implemented, that as a minimum, is commensurate to the level of the entity travel.
- f) Pollution is prevented in all forms, especially from redundant electrical equipment.
- g) All incidents detrimental to the environment are reported, investigated and action taken to prevent reoccurrence.

The hospital management is committed to continually improving its performance by regularly reviewing its environmental impacts, and on an annual basis, update its policy in line with the review

The Hospital management follows the EU Taxonomy Regulation establishing six key environmental objectives towards sustainability;

- i) Climate change mitigation
- ii) Climate change adaptation
- iii) The sustainable use and protection of water and marine resources
- iv) The transition to a circular economy
- v) Pollution prevention and control
- vi) The protection and restoration of biodiversity and ecosystems

The Hospital management notes that different means may be required for an activity to make a substantial contribution to each objective and as leaders we must find ways to ensure impact measures continue to grow and evolve with changing needs.

For sustainability reporting to contribute to better decision-making, reporting needs to transition from voluntary practices to mandatory requirements; this effort is much appreciated.

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, 2023, which show the state of the *hospital's* affairs.

Principal activities

Muhoroni County Hospital provides not-for-profit public health care services towards realization of universal healthcare in Kenya.

Financial Performance

For the year ended 30th June 2023 for Muhoroni County Hospital. The hospital management received a total of Kshs **8,507,583**, Kshs **6,217,083** paid out on different expenses during the period, the hospital current liabilities stood at Kshs **4,386,332** as pending bills at the period end.

Management prioritized the strengthening of governance frameworks, progressing infrastructure projects as well as playing an active role in managing the financial performance of the Hospital.

To achieve this, the hospital engaged the right people into a revamped organizational structure.

Patient satisfaction is at the centre of what we do. We compliment this with competent and experienced and courteous staff, cutting across different health disciplines.

We pride ourselves for a seamless integration of all these medical services to deliver the highest standard of healthcare. We have reviewed our existing processes, policies, and procedures to respond better to our clients' preferences.

Principal risks and uncertainties

The Board of management is constantly reviewing whether the policies and risk management programs in place are appropriate and effective to manage and minimize the exposure in the long term.

The risks that the Hospital is exposed to include:

- Financial Risks, these include the market risks, credit risk, foreign exchange fluctuations exposure and other regulatory risks that affect the market and financial sector operations which could have a ripple effect on the hospital
- Operational risk mainly includes both internal and external factors that affect the hospital processes, personnel, technology, and infrastructure

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- The legal and regulatory requirements can have a significant impact on the operations of the Hospital

Corporate Social Responsibility

Social sustainability requires development of policies and practices that promote the co-existence of the association with both the internal and external stakeholders.

The hospital continues to be actively involved in corporate social responsibilities within various Communities.

Outlook

The Hospital's focus continues to be on quality patient care, which is the pillar of the Hospital, and it is with this culture of service excellence that continues to strengthen our patient-focus, service delivery and processes to deliver healthcare with a difference.

This is outlined in our strategic plan and the initiatives to deliver quality to all our stakeholders.

While the operating environment still poses challenges, we have taken deliberate strategies to ensure that the delivery of these initiatives remains on track.

The present members of the Board of Management are listed below as at FY period ended 30th June, 2023

Name	Role
Mr Edward Onyango Ogwang	Chairperson of the Hospital management Board.
Mr Jarim odada	Board member in charge of financial management
Mr Simon Peter Okwama	Board member representing faith based organisation
Ms Rose Wanyama	Board member representing H.C.S.D
Mr. Joshua Odingo	Board member representing Professionals
Ms Susan Akinyi Ogola	Board member representing Youths
Mr Billy Adero	Member
Dr. David Akuom	Medical Superintendent & secretary to the Board.

BOARD OF MANagements' STATEMENT AS TO INFORMATION GIVEN TO AUDITORS

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Each of the persons who is a member of the Board of Management at the date of approval of this report confirms that: so far as the Board Member is aware, there is no relevant audit information of which the auditors are unaware; and the Board Member has taken all the steps that he/she ought to have taken as a Board Member to make himself/herself aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

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

By Order of the Board



.....

Dr Akuom O. David

Medical Superintendent

Muhoroni County Hospital

Secretary to the Board

County Government of Kisumu

Muhoroni County Level 4 Hospital (Kisumu County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

12. Statement of Board of Management's Responsibilities

Section 164 of the Public Finance Management Act, 2012 requires the Board of Management to prepare financial statements in respect of Muhoroni County level 4 hospital, which give a true and fair view of the state of affairs of the Hospital at the end of the financial year/period and the operating results of the *entity* for that year/period. The Board of Management is also required to ensure that the hospital keeps proper accounting records which disclose with reasonable accuracy the financial position of MCH. The council members are also responsible for safeguarding the assets of MCH.

The Board of Management is responsible for the preparation and presentation of the MCH financial statements, which give a true and fair view of the state of affairs of the MCH for and as at the end of the financial year (period) ended on June 30, 2023. This responsibility includes: (I) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of MCH ; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

The Board of Management accepts responsibility for the MCH financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012.

The Board members are of the opinion that the hospital's financial statements give a true and fair view of the state of *MCH* transactions during the financial year ended June 30, 2023, and of the *MCH* financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the MCH, which have been relied upon in the preparation of the MCH financial statements as well as the adequacy of the systems of internal financial control.

They also accept responsibility for:

- Designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- Selecting suitable accounting policies and applying them consistently; and
- Making accounting estimates and judgements that are reasonable in the circumstances.

The Hospital Board of Management acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Muhoroni County Level 4 Hospital (Kisumu County Government)
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13. Report of the Independent Auditor on Muhoroni County Level 4 Hospital's annual reports and financial statements as at 30th June 2023

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

Hyy//

Approval of the financial statements

The Hospital's financial statements were approved by the Board on 30/08/2023 and signed on its behalf by:

Edward Onyiah Owino
.....
Name:
Chairperson
Board of Management

Dr. Akwem O. DAVID
.....
Name:
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 MUHORONI COUNTY LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2023 - COUNTY GOVERNMENT OF KISUMU

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Muhoroni County Level 4 Hospital – County Government of Kisumu set out on pages 1 to 57, which comprise of the statement of financial position as at 30 June, 2023, and the statement of financial

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

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Muhoroni County Level 4 Hospital – County Government of Kisumu as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (accrual basis) and do not comply with the Health Act, 2017, the County Governments Act, 2012 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Inaccuracies in the Financial Statements

Review of the financial statements provided for audit revealed the following anomalies:

- i. The statement of financial position reflects opening balance for cash and cash equivalent amount of Kshs.3,790,334 while Note 27 reflects an amount of Kshs.740,333 for the same resulting to an unreconciled variance of Kshs.3,050,001. The statement of cashflow reflects an amount of Kshs.2,445,250 as net increase in cash and cash equivalent while the reconfirmation of the difference between the opening balance of Kshs.3,790,334 and Kshs.1,312,264 resulted in a decrease of Kshs.2,478,070;
- ii. The statement of the changes in net assets reflects a balance as per previous year of Kshs.3,711,462 while the previous year financial statements did not have a statement of changes in net assets;
- iii. Note 9 to the financial statements reflects an amount of Kshs.3,031,250 and Kshs.1,734,390 for financial year ended 30 June, 2023 and 2022 respectively which has been duplicated in Note 14;
- iv. The statement of financial position reflects total assets of Kshs.7,080,799 and total net assets and liabilities of Kshs.2,694,467 hence the statement is not balanced;
- v. The report of the medical superintendent indicates that the total payments are Kshs.6,217,083 while the statement of financial performance indicates an amount of Kshs.6,219,583 leading to an unreconciled variance of Kshs.2,500;
- vi. The statement of financial performance reflects an opening balance for total expenses as Kshs.9,493,876 while the recalculated balance is Kshs.9,443,876 leading to a variance of Kshs.50,000;
- vii. The statement of financial performance indicates a Nil amount for transfers from other government entities while Note 9 indicates an amount of Kshs.3,031,250.

Further, the opening balance is indicated as Nil while Note 9 indicates an amount of Kshs.1,734,390;

- viii. The statement of financial performance indicates an amount of Kshs.41,000 for board of management while disclosure Note 17 indicates an amount of Kshs.38,500 resulting in variance of Kshs.2,500;
- ix. The statement of financial performance reflects total revenue of Kshs.8,507,583 while the statement of cashflow reflects an amount of Kshs.5,476,333 resulting in variance of Kshs.3,031,250;
- x. The statement of financial performance reflects an amount of Kshs.2,311,862 for transfer from county government while the statement of comparison of budget and actual reflects an amount of Kshs.801,862 for the same resulting in unreconciled variance of Kshs.1,510,000; and
- xi. The statement of financial performance reflects an amount of Kshs.3,114,471 for rendering of service- medical service income while the statement of comparison of budget and actual reflects an amount of Kshs.6,145,721 for the same resulting in a variance of Kshs.3,031,250.

In the circumstances, the accuracy and completeness of the above balances included in these financial statements could not be confirmed.

2. Variances Between Financial Statements and the Supporting Schedules

Review of the financial statements provided for audit against the supporting schedules revealed variances as analyzed below;

Component	Financial Statements Balances (Kshs)	Schedules Amounts (Kshs)	Variance (Kshs)
Revenue from Rent of Facilities	50,000	60,000	(10,000)
Employee Costs	690,200	1,211,200	(521,000)
Repair and Maintenance	426,141	338,141	88,000
Receivables from Exchange Transactions	421,500	512,400	(90,900)
General Expenses	1,508,191	1,094,902	413,289
Cash and Cash Equivalents	1,312,264	1,345,084	(32,820)
Inventories	3,837,035	0	3,837,035
Trade and Other Payables	4,386,332	3,893,332	493,000

In the circumstances, the accuracy and completeness of the above balances included in the financial statements could not be confirmed.

3. Employee Costs

The statement of financial performance reflects employee costs amount of Kshs.690,200 as indicated in Note 16 to the financial statements. Review of the records provided for audit revealed the following anomalies:

3.1. Underpayment of Casual Employees

Included in the amount is an expenditure of Kshs.690,200 relating to payments to casual workers engaged by the Hospital. Review of the documents provided for audit including the Muster rolls and the payment vouchers revealed that the casuals were being underpaid at a monthly rate of Kshs.7,300 against the minimum wage rate of Kshs.13,572 for the general casuals as per the Regulation of Wages (General) (Amendment Order), 2022.

3.2. Undisclosed In-Kind Contributions from the County Government

Review of the staff records revealed that a total of sixty (60) Hospital employees who are on permanent and pensionable basis and contract are paid their salaries directly from the County Government. However, the amount of salaries paid was not included in the financial statements as in-kind contributions from the County Government.

Further, Management did not provide supporting documents including the monthly payrolls, employees' ethnicity, personnel files, list of employees recruited during the year and those who exited during the year.

3.3. Failure to Disclose Accounts Payables

Note 34 to the financial statements includes an amount of Kshs.493,000 under payables due to employees which was not disclosed in the statement of financial performance.

3.4. Undisclosed Grants from Donors and Development Partners

Review of the staff list revealed that a total of fifteen (15) members of staff were being paid by a non-governmental organization (donor) by the name Center for International Health Education and Bio security Kenya. However, monthly payrolls and the actual amount paid as salaries were not disclosed and no amount was disclosed in the financial statements as grants from donors and development partners.

In the circumstances, the accuracy and completeness of the employee costs amount of Kshs.690,200 could not be confirmed.

4. Cash and Cash Equivalents

The statement of financial position as disclosed in Note 27 to the financial statements, reflects a cash and cash equivalents balance of Kshs.1,312,264. Review of documents provided for audit including cash books and bank statements revealed the following anomalies;

4.1. Unsupported Balances

Although the entity has an Mpesa utility account the balance was not reported or disclosed in the financial statements. Further, the board of survey was not conducted as at the end of the financial year. In addition, the cash book was not adequately inspected by a senior officer and Management did not provide the authority to open the bank account.

4.2. Unsupported Bank Charges

Review of the bank statements revealed that the facility incurred bank charges amounting to Kshs.27,486 which have not been recorded in the cashbook with respective payment vouchers. The expenditure was therefore understated.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.1,312,264 could not be confirmed.

5. Direct Expensing of Imprests

The statement of financial performance reflects total expenses amount of Kshs.6,219,583. Review of the cashbook revealed that imprests amounting to Kshs.847,977 were directly expensed in the cashbook instead of recording as a contra entry and being expensed after the imprest holder has accounted for the funds.

In the circumstances, the classification and accuracy of expenditure of Kshs.847,977 could not be confirmed.

6. Undisclosed Intangible Assets

The statement of financial position reflects a Nil balance for intangible assets. However, review of the Hospital's operations revealed that there was an operating system which was used for Hospital's operations. Although Management indicated that the system was acquired in the year 2018 at a cost of Kshs.350,000 no other details were provided including the contract and service level agreement with the vender. Further, the net book value and the amortization charges were not disclosed in the financial statement.

In the circumstances, the accuracy and completeness of the Nil intangible assets amount could not be ascertained.

7. Non-Disclosure of Property, Plant and Equipment

The statement of financial position and as disclosed in Note 31 to the financial statements reflects a Nil balance on property, plant and equipment. The Hospital provided for audit a listing of assets with all their assets including land, buildings, motor vehicles, medical equipment, general equipment and computers, plant equipment, medical furniture and general office furniture. However, the following issues were noted:

- i. There were no values assigned to the assets in the asset register and the assets did not have ownership documents;

- ii. The three (3) motor vehicles listed in the Hospital's asset register were two (2) ambulances belonging to County Government of Kisumu and Ministry of Health and a Motorcycle belonging to the Ministry of Health. There were no transfer documents by the various Government agencies to ascertain the usage of the vehicles in the Hospital;
- iii. The land the Hospital sits on which is approximately 6ha does not have a title deed. Further, no valuation report for the assets was provided for audit verification.

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

8. Variances in Trade and Other Payables

The statement of financial position reflects the trade and other payables balance of Kshs.4,386,332 as disclosed in Note 34 to the financial statements. The balance includes Kshs.970,112 owed to Kenya Medical Supplies Authority (KEMSA) while KEMSA records reflect Kshs.965,008 resulting to an unexplained variance of Kshs.5,104.

In the circumstances, the accuracy, and completeness of the trade and other payables balance of Kshs. 4,386,332 could not be confirmed.

9. Unsupported Rendering of Service- Medical Service Income

The statement of financial performance reflects medical services income amount of Kshs.3,114,471 as disclosed in Note 11 to the financial statements. Review of the revenue system data and bank statements to verify receipt of the funds for rendering of services - medical income revealed a receipt of funds amounting to Kshs.6,145,721 resulting to unreconciled variance of Kshs.3,031,250.

In the circumstances, the accuracy and completeness of the medical service income amount of Kshs.3,114,471 could not be confirmed.

10. Inadequately Supported Medical Services Income

The statement of financial performance reflects total revenue of Kshs.8,507,583 which includes revenue from exchange transactions on rendering of services - medical service income amount of Kshs.3,114,471. Review of the documents provided revealed that Management did not have copies of receipts issued to the patients for the services rendered and there were no detailed records of the daily income collected for the different services provided. In addition, the banking slips were not supported by any collection receipts and therefore it was not possible to ascertain whether the total collections were banked in the Facility Improvement Fund and how much was retained, if any.

In the circumstances, the accuracy and completeness of the rendering of services-medical service income amount of Kshs.8,507,583 could not be confirmed.

11. Variances in Revenue from Rendering Services

The statement of financial performance reflects Kshs.3,031,250 in respect of miscellaneous income as disclosed in Note 14 to the financial statements. Included in the amount is the National Health Insurance Fund reimbursement of Kshs.3,017,033.

However, the National Health Insurance Fund records revealed an amount of Kshs.2,782,400 was paid to the Hospital resulting to an unexplained variance of Kshs.234,633. Further, the same amount has been reported as transfer from other Government entities thus double reporting it.

In the circumstances, the accuracy and completeness of revenue from miscellaneous income of Kshs.3,031,250 could not be confirmed.

12. Unreconciled NHIF Receivables

The statement of financial position reflects receivables from exchange transactions amount of Kshs.421,500 as disclosed in Note 28 to the financial statements which relates to NHIF claims. Analysis of records at the facility revealed claims paid by NHIF of Kshs.2,902,400 while NHIF data reflects paid claims of Kshs.5,657,506 resulting in a variance the statement of Kshs.5,236,006.

In the circumstances, the accuracy of the receivables balance of Kshs.421,500 could not be confirmed.

13. Unconfirmed Inventory Balance

The statements of financial position reflects inventory balance of Kshs.3,837,035 as disclosed in Note 30 to the financial statements. However, there was no evidence of conducting the annual stock take to confirm the quantities, value and status of closing inventory balances as at 30 June, 2023.

In the circumstances, the accuracy, completeness and valuation of the inventory balance of Kshs.3,837,035 could not be confirmed.

Key Audit Matter

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Compliance with the Financial Reporting Template

Review of the financial statements provided for audit revealed the following anomalies and instances of non-compliance with the reporting template;

Report of the Auditor-General on Muhoroni County Level 4 Hospital for the year ended 30 June, 2023 - County Government of Kisumu

- i. The financial statements did not include the progress on follow up of the auditor's recommendations;
- ii. The report of the medical superintendent has not been included in the table of contents;
- iii. The profile of the board members did not indicate their ages, key qualifications, work experience and whether they are independent or alternate;
- iv. The profile of the board only indicates two members while the corporate governance statement lists eight (8) members;
- v. Pages xliii, xlvi, 8, 13, 26 and 39 are blank;
- vi. The financial statements have not been signed by the head of finance or any officer with ICPAK number as required;
- vii. The financial statements do not indicate the date when the financial statements were approved by the board in page 4;
- viii. Further, the numbering of some items in the statement of financial performance differ with the numbers in the notes to the accounts as indicated below:

No.	Item	Statement of Financial Performance	Notes to the Financial Statements
1	Medical/Clinical costs	16	15
2	Employee costs	17	16
3	BOM Expenses	18	17
4	Depreciation and Amortization	19	18
5	Repairs and Maintenance	20	19
6	Grants and Subsidies	21	20
7	General Expenses	22	21

In the circumstances, the presentation and disclosures in the financial statements do not comply with the accounting standards as prescribed by the Public Sector Accounting Standards Board.

2. Irregularities in the Procurement of Medical/Clinical Costs

The statement of financial performance reflects medical/clinical costs totalling to Kshs.3,554,051 as disclosed in Note 15 to the financial statements. Review of the payment records and vouchers revealed that Management procured goods directly by issuing Local Purchase Orders to suppliers without following the procurement processes. Further, during the year under review Management did not develop an annual procurement plan which is aligned to the annual approved budget. This is contrary to

Section 106 of the Public Procurement and Asset Disposal Act, 2015 on prequalified listing of suppliers.

In the circumstances, Management was in breach of the law and value for money on the procurement could not be confirmed.

3. Lack of Appointment Letters for the Board Members

Review of the Board records including the Kenya gazette notices revealed that on 11 October, 2019, seven (7) members were gazetted and appointed to the Board of Management of the Hospital. However, the appointment letters for the Board members indicating the terms of engagement were not provided for audit verification. An enquiry from the Management revealed the members were not issued with the appointment letters. Management is therefore in contravention of Section 16 of Kisumu County Health Facilities Improvement Fund Act, 2021 which requires that each Board member be formally appointed to the board through a gazette notice and thereafter an appointment letter.

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

4. Uninhabitable Staff Houses

Physical inspection of the Hospital's property conducted at the time of audit in April, 2024 revealed that there are twenty (20) staff houses, sixteen (16) of which were condemned by Public Works and Public Health. The houses have asbestos roof and cracks making them inhabitable. The doctors on call have rented out houses far away from the facility making it difficult to get to the Hospital in time in case of emergency.

In the circumstances, the safety of the patients and staff of the Hospital is not guaranteed.

5. Deficiencies in Implementation of Universal Health Coverage (UHC)

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 seventy-one (71) staff requirements or 70% of the authorized establishment.

	Level 4 Hospital Standard	In-post in Muhoroni County Hospital	Variance	Percentage Deficit %
Medical officers	16	2	14	88
Anesthesiologists	2	0	2	100
General Surgeons	2	0	2	100
Gynecologists	2	0	2	100
Pediatrics	2	0	2	100

Report of the Auditor-General on Muhoroni County Level 4 Hospital for the year ended 30 June, 2023 - County Government of Kisumu

	Level 4 Hospital Standard	In-post in Muhoroni County Hospital	Variance	Percentage Deficit %
Radiologists	2	0	2	100
Kenya Registered Community Health Nurses	75	28	47	63
Total	101	30	71	70

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

	Level 4 Hospital Standard	Available in Muhoroni County Hospital	Variance	Percentage (%)
Bed Capacity	150	44	106	71
New born Unit Incubators	5	5 (Un-functional)	0	100
Functional Intensive Care Unit Beds	6	0	6	100
High Dependency Unit Beds	6	0	6	100
Renal Unit with at least 5 Dialysis Machines	5	0	5	100
Two Functional Operating Theatres- Maternity and General	2	1 (Maternity Theatre)	1	50

In addition, the Hospital was not offering basic services which includes radiology, renal dialysis, mortuary and autopsy services and advanced life support.

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 may not be able to deliver on its mandate.

6. Non-Compliance with Biomedical Waste Management

Review of the operations at the facility revealed that non-hazardous Hospital waste was accumulated at the burning chamber for more than a month due to lack of fuel. The hazardous biomedical waste is accumulated and transported to Kisumu Level 5 Hospital

for disposal. However, there was no evidence that Management had complied with NEMA Waste Management Regulations, 2006 on biomedical waste management on taking all practical steps to ensure that waste is managed in a manner which will protect human health and the environment against the adverse effects which may result from the waste.

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

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

The statement of financial performance reflects rendering services- medical services income of Kshs.3,114,471 as disclosed in Note 11 to the financial statements. However, the amount was not transferred to the County Revenue Fund Account for approval by the Controller of Budget before withdrawal. This was contrary to Regulation 81(1-3) of Public Finance and Management (County Governments) Regulations, 2015 which states that a receiver of revenue shall promptly deposit into the County exchequer account all receipts due to the County Revenue Fund.

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

8. Lack of Quarterly Revenue Reports

The statement of financial performance reflects an amount of Kshs.3,114,471 in relation to the rendering of services -medical income as disclosed in Note 11 to the financial statements. However, the Hospital did not provide evidence to show that the reports were prepared and submitted the same to the County treasury with a copy to the Auditor General as per the requirement of Regulations 64(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer or receiver of revenue or collector of revenue to prepare a quarterly report not later than the 15th day after the end of the quarter.

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

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Lack of Risk Management Policy

During the year under review, the Hospital operated without a documented risk management policy framework. In addition, there was no evidence of risk identification, risk assessment and evaluation of likelihood of risk occurrence and its impact on the entities' operation.

In the circumstances, effectiveness of risk management system at the Hospital could not be confirmed.

2. Weakness in Information Technology Systems

Review of the operations at the Hospital revealed that it has a standalone information system that is not integrated to the different departments including the laboratory, pharmacy among others. The system is used for billing and generating reports, which are fed manually into the system from the different departments. The Hospital does not have internet connectivity to assist in the operations of the Hospital.

In the circumstances, the effectiveness of the information technology systems in the facility could not be confirmed.

3. Encroachment of Hospital Land

Review of the allotment letter from the then Municipal Council of Muhoroni revealed that the Hospital sits on land of approximately six (6) hectares. Physical inspection of the facility revealed that part of the land has been encroached and efforts towards recovery of the encroached land as per various correspondences have been in vain. A letter from the Hospital through the department of health, County Government of Kisumu to the village administrator dated 13 January, 2021 states that there was a gazette notice of fraudulent land allocation on 15 January, 2014 which led to encroachment of 2 plots in the facility land.

In the circumstances, the existence of effective internal controls on management of hospital assets could not be confirmed.

4. Inadequate Revenue Safeguards and Controls

The statement of financial performance reflects Kshs.3,114,471 in relation to the rendering of services -medical income as disclosed in Note 11 to the financial statements. However, it was noted that there was no segregation of duties in revenue collection because the same person receives revenue, issues receipts and carries out the banking of revenue. This is contrary to Regulation 63(1(a)) of the Public Finance Management (County Governments) Regulations, 2015 which states that an accounting officer and a receiver of revenue are personally responsible for ensuring that— (a) adequate safeguards exist and are applied for the prompt collection and proper accounting for, all county government revenue and other public moneys relating to their county departments or agencies.

In the circumstances, the existence of the effective controls on revenue management could not be confirmed.

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

Responsibilities of Management and the Board of Management

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Hospital to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Hospital to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

05 July, 2024

Muhoroni County Level 4 Hospital (Kisumu County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

14. Statement of Financial Performance for The Year Ended 30 June 2023

Description	Note	2022/23 Kshs	2021/22 Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	6	2,311,862	6,740,426
In-kind contributions from the County Government	7	0	0
Grants from donors and development partners	8	0	0
Transfers from other Government entities	9	0	0
Public contributions and donations	10	0	0
Revenue from exchange transactions			
Rendering of services- Medical Service Income	11	3,114,471	6,404,912
Revenue from rent of facilities	12	50,000	60,000
Finance /Interest Income	13	0	0
Miscellaneous Income	14	3,031,250	1,734,390
Revenue from exchange transactions		6,195,721	6,404,912
Total revenue		8,507,583	13,145,338
Expenses			
Medical/Clinical costs	16	3,554,051	2,471,210
Employee costs	17	690,200	2,414,614
Board of Management Expenses	18	41,000	624,000
Depreciation and amortization expense	19	0	0
Repairs and maintenance	20	426,141	1,507,152
Grants and subsidies	21	0	0
General expenses	22	1,508,191	2,426,900
Medical services contracts Gains/Losses	25	0	0
Impairment loss	26	0	0
Gain on foreign exchange transactions		0	0
Total other gains/(losses)		0	0
TOTAL EXPENSES		6,219,583	9,493,876
Net Surplus / (Deficit) for the year		2,288,000	3,711,462

(The notes set out on pages 26 to 40 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 30/08/2023 and signed on its behalf by:

Muhoroni County Level 4 Hospital (Kisumu County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023



Chairman

Board of Management

.....
Head of Finance

ICPAK No:



Medical Superintendent

Muhoroni County Level 4 Hospital (Kisumu County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023


15. Statement of Financial Position As At 30th June 2023

Description	Note	2022/2023	2021/2022
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	27	1,312,264	3,790,334
Receivables from exchange transactions	28	421,500	342,070
Receivables from non-exchange transactions	29	1,510,000	0
Inventories	30	3,837,035	0
Total Current Assets		7,080,799	4,132,404
Non-current assets			
Property, plant, and equipment	31	0	
Intangible assets	32	0	0
Investment property	33	0	
Total Non-current Assets		0	
Total assets		7,080,799	4,132,404
Liabilities			
Current liabilities			
Trade and other payables	34	4,386,332	5,348,404
Refundable deposits from customers/Patients	35	0	0
Provisions	36	0	0
Finance lease obligation	37	0	0
Current portion of deferred income	38	0	0
Current portion of borrowings	39	0	0
Social Benefits	41	0	0
Total Current Liabilities		4,386,332	5,348,404
Non-current liabilities			
Provisions	36	0	0
Non-Current Finance lease obligation	37	0	0
Non-Current portion of deferred income	38	0	0
Non - Current portion of borrowings	39	0	0
Service concession liability	40	0	0
Social Benefits	41	0	0
Total Non-current liabilities		0	0
Total Liabilities		4,386,332	0
			0
Net assets		2,694,467	

Muhoroni County Level 4 Hospital (Kisumu County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

Revaluation reserve		0	0
Accumulated surplus/Deficit		2,288,000	1,216,100
Capital Fund		2,694,467	0
Total Net Assets and Liabilities		2,694,467	1,216,100

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



Chairman
Board of Management

.....
Head of Finance
ICPAK No:



Medical Superintendent

Muhoroni County Level 4 Hospital (Kisumu County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

16. Statement of Changes in Net Asset for The Year Ended 30 June 2023

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2021 (previous year)				
Revaluation gain				
Surplus/(deficit) for the year		3,711,462		3,711,462
Capital/Development grants				
As at June 30, 2022 (previous year)		3,711,462		3,711,462
At July 1, 2022 (current year)				
Revaluation gain				
Surplus/(deficit) for the year		2,288,000		2,288,000
Capital/Development grants				
At June 30, 2023 (current year)		2,288,000		2,288,000

Muhoroni County Level 4 Hospital (Kisumu County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

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

Description	Note	2022/2023	2021/2022
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government	6	2,311,862	6,740,426
Grants from donors and development partners		0	
Transfers from other Government entities		0	
Public contributions and donations		0	
Rendering of services- Medical Service Income	11	3,114,471	6,404,912
Revenue from rent of facilities	12	50,000	60,000
Finance / interest income		0	
Miscellaneous receipts(specify)		0	
Total Receipts		5,476,333	13,205,338
Payments			
Medical/Clinical costs	16	3,554,051	2,471,210
Employee costs	17	690,200	2,414,614
Board of Management Expenses	18	41,000	624,000
Repairs and maintenance	19	426,141	1,507,152
Grants and subsidies		0	0
General expenses	21	1,508,191	2,476,900
Finance costs		0	0
Refunds paid out		0	0
Total Payments		6,219,583	9,493,876
Net cash flows from operating activities		2,288,000	3,711,462
Cash flows from investing activities			
Purchase of property, plant, equipment & intangible assets		0	0
Proceeds from the sale of property, plant, and equipment		0	0
Acquisition of investments		0	0
Net cash flows used in investing activities		0	0
Cash flows from financing activities			
Proceeds from borrowings		0	0
Repayment of borrowings		0	0
Capital grants received		0	0
Net cash flows used in financing activities		0	
Net (decrease) in cash and cash equivalents		2,445,250	0
Cash and cash equivalents as at 1 July			
Cash and cash equivalents as at 30 June	27	1,312,264	3,711,462

18. Statement of Comparison of Budget and Actual Amounts for Year Ended 30 Jun 2023

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Transfers from the County Government	2,311,862	0	2,311,862	801,862	1,510,000	34.68%
Grants from donors and development partners	0	0	0	0	0	
Transfers from other Government entities						
Public contributions and donations						
Rendering of services- Medical Service Income	6,056,171		6,056,171	6,145,721	89,550	101.48%
Revenue from rent of facilities	60,000		60,000	50,000	10,000	83.33%
Finance / interest income						
Miscellaneous receipts (specify)						
Total income	8,428,033		8,428,033		8,428,033	0.00%
Expenses						
Medical/Clinical costs	3,442,000		3,442,000	3,554,051	-112,051	103.26%
Employee costs	794,000		794,000	690,200	103,800	86.93%
Remuneration of directors	75,000		75,000	41,000	34,000	54.67%
Repairs and maintenance	753,442		753,442	426,141	327,301	56.56%
Grants and subsidies						
General expenses	2,157,062		2,157,062	1,508,191	648,871	69.92%
Finance costs						
Refunds						
Surplus for the period	3,711,462		3,711,462	2,288,000	1,423,462	61.00%

Muhoroni County Level 4 Hospital (Kisumu County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

Capital expenditure						

19. Notes to the Financial Statements

1. General Information

Muhoroni County Hospital is established by a gazette notice and derives its authority and accountability from Kisumu County Facility Improvement Fund Act, 2021 and the PFM Act, 2012. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to provide universal healthcare 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 hospitals accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 30

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 of 2012 Section 81.3** that requires the accounting officer of a county government entity to prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years present

3. Adoption of New and Revised Standards

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2023

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

Standard	Effective Date and Impact
	<p>benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Entity.</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • <i>IPSAS 29: Financial instruments: Recognition and Measurement</i>

Muhoroni County Level 4 Hospital (Kisumu County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

Standard	Effective date and impact
	Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1 st January 2023.

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 1st January 2025</i> 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. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> The Standard requires:- 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: 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.

iii) Early adoption of standards

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

4. Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

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

Muhoroni County Level 4 Hospital (Kisumu County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

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

Notes to the Financial Statements (Continued)

b. Budget information

The original budget for **FY2022/2023** was approved by Board on **24/08/2022**. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page 8 under section 18 of these financial statements.

c. Taxes

Sales tax/ Value Added Tax

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

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

➤ When receivables and payables are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

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 20 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 derecognition. 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. *The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements.*

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. *(Entity to state the reserves maintained and appropriate policies adopted.)*

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, MCH recognizes that asset when, and only when, it controls or regulates the services. The operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the hospital also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

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, 2023.

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Useful lives and residual values

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

- 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.

(Include provisions applicable for your organisation e.g provision for bad debts, provisions of obsolete stocks and how management estimates these provisions).

Notes to Financial Statements Continued

6. Transfers from the County Government

Description	2022/2023	2021/2022
	KShs	KShs
Unconditional grants		
Operational grant	2,311,862	6,740,426
Level 5 grants		0
Unconditional development grants		0
Other grants		0
		0
Conditional grants		
User fee forgone		0
Transforming health services for Universal care project (THUCP)		0
DANIDA		0
Wards Development grant		0
Paediatric block grant		0
Administration block grant		0
Laboratory grant		0
Total government grants and subsidies	2,311,862	6,740,426

6b Transfers from The County Government

Name of the Entity sending the grant	Amount recognized to Statement of financial performance* KShs	Amount deferred of under deferred income KShs	Amount recognised to capital fund. KShs	Total grant income during the year	Comparative Period
				KShs	KShs
Kisumu County Government	2,311,862			2,311,862	6,740,42
Total	2,311,862			2,311,862	6,740,426

7. In Kind Contributions from The County Government

Description	2022/2023	2021/2022
	KShs	KShs
Salaries and wages	0	0
Medical supplies-Drawings Rights (KEMSA)	0	0

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Pharmaceuticals and Non-Pharmaceutical Supplies (other suppliers)	0	0
Utility bills	0	0
Total grants in kind	0	0

8. Grants From Donors and Development Partners

Description	2022/2023	2021/2022
	KShs	KShs
Cancer Centre grant- DANIDA	0	0
World Bank grants	0	0
Paediatric ward grant- JICA	0	0
Research grants	0	0
Other grants (<i>specify</i>)	0	0
Total grants from development partners	0	0

Notes to Financial Statements Continued

9. Transfers From Other Government Entities

Description	2022/2023	2021/2022
	KShs	KShs
Insurance Recoveries(NHIF/MARWA)	3,031,250	1,734,390
Total Transfers	3,031,250	1,734,390

10. Public Contributions and Donations

Description	2022/2023	2021/2022
	KShs	KShs
Public donations	0	0
Donations from local leadership	0	0
Donations from religious institutions	0	0
Donations from other international organisations and individuals	0	0
Other donations(<i>specify</i>)	0	0
Donations in kind-amortised	0	0
Total donations and sponsorships	0	0

10 (a) Reconciliations of amortised grants

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Description	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
Balance unspent at beginning of year	0	0
Current year receipts	0	0
Amortised and transferred to revenue	0	0
Conditions to be met – remain liabilities	0	0

Notes to Financial Statements Continued

11. Rendering of Services-Medical Service Income

Description	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
Pharmaceuticals	826806	885803
Non-Pharmaceuticals	72600	64240
Laboratory	734985	713464
Radiology	133600	165750
Orthopedic and Trauma Technology	90400	36300
Theatre	28150	48500
Accident and Emergency Service	60060	204640
Anesthesia Service	0	0
Ear Nose and Throat service	600	0
Nutrition service	0	0
Cancer centre service	0	0
Dental services	30000	10950
Reproductive health	21510	2415
Paediatrics services	154400	0
Farewell home services	2100	9500
Other medical services income (<i>In patient care services, sales of patient files and appointment cards</i>)	959,260	4,263,349
Total revenue from the rendering of services	3,114,471	6,404,911

(Other medical services fee relates to other charges not listed above and should be specified)

Notes to the Financial Statements (Continued)

12. Revenue From Rent of Facilities

Description	2022/2023	2021/2022
	Kshs	Kshs
Residential property	50,000	60,000
Commercial property	0	0
Total Revenue from rent of facilities	50,000	60,000

(Provide brief explanation for this revenue)

13. Finance /Interest Income

Description	2022/2023	2021/2022
	Kshs	Kshs
Cash investments and fixed deposits	0	0
Interest income from short- term/ current deposits	0	0
Interest income from Treasury Bills	0	0
Interest income from Treasury Bonds	0	0
Interest from outstanding debtors	0	0
Total finance income	0	0

14. Miscellaneous Income

Description	2022/2023	2021/2022
	Kshs	Kshs
Insurance recoveries (NHIF & Marwa Insurance)	3,031,250	1,734,390
Income from sale of tender	0	0
Services concession income	0	0
Sale of goods (water, publications, containers etc.)	0	0
Write backs (Deposits, payments in advance etc.)	0	0
Bad debts recovered	0	0
<i>Others (Specify)</i>	0	00
Total Miscellaneous income	3,031,250	1,734,390

Notes to the Financial Statements (Continued)

15. Medical/ Clinical Costs

Description	2022/2023	2021/2022
	Kshs	Kshs
Dental costs/ materials		
Laboratory chemicals and reagents	496,150	500,000
Public health activities		
Food and Ration	607,110	731,110
Uniform, clothing, and linen		
Dressing and Non-Pharmaceuticals	640,980	427,800
Pharmaceutical supplies	1,048,600	570,000
Health information stationery	168,000	80,000
Reproductive health materials		
Sanitary and cleansing Materials	177,560	102,300
Purchase of Medical gases		60,000
X-Ray/Radiology supplies		
Refined Fuel- Ambulance	415,651	
Total medical/ clinical costs	3,554,051	2,471,210

(Other medical/clinical related costs refers to all other costs involved in management of the patients directly not analysed above.)

16. Employee Costs

Description	2022/2023	2021/2022
	Kshs	Kshs
Salaries, wages, and allowances	690,200	2,414,614
Accrued Salaries, wages, and allowances		
Contributions to pension schemes		
Service gratuity		
Performance and other bonuses		
Staff medical expenses and Insurance cover		
Group personal accident insurance and WIBA		
Social contribution		
Other employee costs (specify)		
Employee costs	690,200	2,414,614

(Social contribution relates to expenses incurred by the employer towards social welfare of Employees)

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Notes to the Financial Statements (Continued)

17. Board of Management Expenses

Description	2022/2023	2021/2022
	Kshs	Kshs
Chairman's Honoraria		
Sitting allowance	38,500	624,000
Mileage		
Insurance expenses		
Induction and training		
Travel and accommodation allowance		
Airtime allowances		
Total	38,500	624,000

18. Depreciation and Amortization Expense

Description	2022/2023	2021/2022
	Kshs	Kshs
Property, plant and equipment		0
Intangible assets		0
Investment property carried at cost		0
Total depreciation and amortization		0

19. Repairs And Maintenance

Description	2022/2023	2021/2022
	Kshs	Kshs
Property- Buildings	15,000	980,152
Medical equipment, plant and machinery	127,807	128,000
Office equipment		0
Furniture and fittings		0
Computers and accessories		100,000
Motor vehicle expenses- ambulance	283,334	299,000
Maintenance of civil works		0
Total repairs and maintenance	426,141	1,507,152

Notes to the Financial Statements (Continued)

20. Grants And Subsidies

Description		
Community development and social work	0	0
Education initiatives and programs	0	0
Free/ subsidised medical camp	0	0
Disability programs	0	0
Free cancer screening	0	0
Social benefit expenses	0	0
Other grants and subsidies(<i>specify</i>)	0	0
Total grants and subsidies	0	0

21. General Expenses

Description	2022/23	2021/22
	Kshs	Kshs
Advertising and publicity expenses		
Catering expenses	14,577	
Waste management expenses		
Insecticides and rodenticides		
Audit fees		
Bank charges	Ksh27,486.00	23,432
Conferences and delegations		
Consultancy fees		
Contracted services-security	50,000	355,000
Electricity expenses	245,000	297,400
Fuel and Lubricants		
Insurance		
Research and development expenses		
Travel and accommodation allowance	296,500	30,000
Legal expenses		
Licenses and permits		
Referral services		530,000
Printing and stationery	29,252	345,000
General office supplies	191,573	133,500

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Other fuels	113,000	270,000
Refined fuels & Lubricants	385,803	423,000
Water and sewerage costs	105,000	3,000
Skills development levies		
Telephone and mobile phone services	50,000	60,000
Internet expenses		30,000
Staff training and development		
Subscriptions to professional bodies		
Subscriptions to newspapers periodical, magazines, and gazette notices		
Library books/Materials		
Parking charges		
Total General Expenses	1,508,191	2,476,900

22. Finance Costs

Description	2022/2023	2021/2022
	KShs	KShs
Borrowings (amortized cost) *	0	0
Finance leases (amortized cost)	0	0
Interest on Bank overdrafts/Guarantees	0	0
Interest on loans from commercial banks	0	0
Total finance costs	0	0

(Borrowing costs that relate to interest expense on acquisition of non-current assets and do not qualify for Capitalisation as per IPSAS 5: on borrowing costs should be included under this note.)

23. Gain/Loss on Disposal of Non-Current Assets

Description	2022/2023	2021/2022
	KShs	KShs
Property, plant, and equipment	0	0
Intangible assets	0	0
Other assets not capitalised (<i>specify</i>)	0	0
Total gain on sale of assets	0	0

24. Unrealized Gain On Fair Value Investments

Description	2022/2023	2021/2022
	KShs	KShs
Investments at fair value	0	0

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Total gain	0	0
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Notes to the Financial Statements (Continued)

25. Medical Services Contracts Gains /Losses

Description	2022/23	2021/22
Comprehensive care contracts with NHIF	0	0
Non- Comprehensive contracts care with NHIF	0	0
Linda Mama Program	0	0
Waivers and Exemptions	0	0
Total Gain/Loss	0	0

26. Impairment Loss

Description	2022/23	2021/22
Property, plant, and equipment	0	0
Intangible assets	0	0
Total impairment loss	0	0

27. Cash And Cash Equivalents

Description	2022/23	2021/22
Current accounts	1,312,264	740,333.68
On - call deposits		
Fixed deposits accounts	0	
Cash in hand	0	
Others(specify)- Mobile money	0	
Total cash and cash equivalents	1,312,264	740,333.68

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Notes to the Financial Statements (Continued)

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

Description	Account number	2022/2023	
		KShs	KShs
a) Current account			
Kenya Commercial bank	1148799214	1,312,264	3,790,333
Sub- total			
Grand total		1,312,264	3,790,333

28. Receivables From Exchange Transactions

Description	2022/2023		2021/2022	
	KShs	KShs	KShs	KShs
Medical services receivables - NHIF	421,500		342,070	
Rent receivables	0		0	
Other exchange debtors	0		0	
Total receivables	421,500		342,070	

(Entity to state the expected credit loss rates for various categories of its receivables. The entity should also disclose how ECL was arrived at in line with provisions of IPSAS 41.)

Analysis of Receivables from Exchange Transactions

Description	2022/2023		2021/2022	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	421,500	100%	432,070	100%
Between 1- 2 years		%		%
Between 2-3 years		%		%
Over 3 years		%		%
Total (a+b)		%		%

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29. Receivables From Non-Exchange Transactions

Description	2023/2023	2022/2022
	KSh	KSh
Transfers from the County Government	1,510,000	0
Undisbursed donor funds		
Other debtors (<i>non-exchange transactions</i>)		
Less: impairment allowance	(0)	(0)
Total	1,510,000	0

(Undisbursed donor funds refer to funds expected where conditions for disbursements have been met by the recipient as at the reporting date)

Analysis of Receivables From Non-Exchange Transactions

Description	2023/2023		2022/2022	
	KSh	%	KSh	%
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	1,510,000	100%	0	0%
Between 1- 2 years		%		%
Between 2-3 years		%		%
Over 3 years		%		%
Total (a+b)		%		%

30. Inventories

Description	2023/2023		2022/2022	
	KSh	KSh	KSh	KSh
Pharmaceutical supplies	1154280		0	
Non Pharmaceuticals supplies	2298395		0	

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laboratory Materials	329570	0
Linen and clothing supplies	0	0
Cleaning materials supplies	0	0
General supplies	54790	0
Less: provision for impairment of stocks	0	0
Total	3,837,035	0

*Muhoroni County Level 4 Hospital (Kisumu County Government)
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Notes to the Financial Statements (Continued)

31. Property, Plant and Equipment

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
Cost								
At 1 July 2021 (previous year)	0	0	0	0	0	0	0	0
Additions	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0
Transfers/adjustments	0	0	0	0	0	0	0	0
At 30th Jun 2022	0	0	0	0	0	0	0	0
At 1 July 2022 (current year)	0	0	0	0	0	0	0	0
Additions	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0
Transfer/adjustments	0	0	0	0	0	0	0	0
At 30th Jun 2023	0	0	0	0	0	0	0	0
Depreciation and impairment								
At 1 July 2021 (previous year)								
Depreciation for the year	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0
Impairment	0	0	0	0	0	0	0	0
At 30 June 2022	0	0	0	0	0	0	0	0

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Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
At July 2022 (current year)	0	0	0	0	0	0	0	0
Depreciation	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0
Impairment	0	0	0	0	0	0	0	0
Transfer/adjustment	0	0	0	0	0	0	0	0
At 30th June 2023								
Net book values								
At 30 th Jun 2022 (previous)	0	0	0	0	0	0	0	0
At 30 th Jun 2023 (current)	0	0	0	0	0	0	0	0

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Notes to the Financial Statements (Continued)

32. Intangible Assets-Software

Description	2022/2023	2021/2022
	KShs	KShs
Cost		
At beginning of the year	0	0
Additions		
Additions-Internal development		
Disposal		
At end of the year		
Amortization and impairment		
At beginning of the year		
Amortization for the period		
Impairment loss		
At end of the year		
NBV	0	0

33. Investment Property

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

34. Trade and other Payables

Description	2022/2023	2021/2022
	KShs	KShs
Trade payables	3,893,332	5,348,504
Employee dues	493,000	
Third-party payments (e.g. unremitted payroll deductions)		
Audit fee		
Doctors' fee		
Total trade and other payables	4,386,332	5,348,504

Notes to the Financial Statements (Continued)

35. 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
At 30 June 2022 (previous year)				
Receivables from exchange transactions				
Receivables from –non-exchange transactions				
Bank balances				
Total				
At 30 June 2023 (current year)				
Receivables from exchange transactions				
Receivables from –non-exchange transactions				
Bank balances				
Total				

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 significant concentration of credit risk on amounts due from 2019 COVID 19 PANDEMIC economic hit. 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
At 30 June 2022				
Trade payables				
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
Total				
At 30 June 2023				
Trade payables				
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				

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Total					
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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 carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

Description	KShs	Other currencies	Total
	KShs		KShs
At 30 June 2023			
Financial assets (investments, cash, debtors)			
Liabilities			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)			

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.

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Notes to the Financial Statements (Continued)

Description	KShs	Other currencies	Total
	KShs		KShs
At 30 June 2023			
Financial assets (investments, cash, debtors)			
Liabilities			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)			

Foreign currency sensitivity analysis

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

Description	Change in currency rate	Effect on Profit before tax	Effect on equity
	KShs	KShs	KShs
2022 (previous year)			
Euro	10%	0	0
USD	10%	0	0
2023 (current year)			
Euro	10%	0	0
USD	10%	0	0

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.

iv) Events after the Reporting Period

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

36. Ultimate and Holding Entity

The entity is a State Corporation/ or a Semi- Autonomous Government Agency under the Department of Medical Services, Public Health and Sanitation. Its ultimate parent is the County Government of Kisumu.

37. Currency

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

Muhoroni County Level 4 Hospital (Kisumu County Government)
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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.

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Accounting Officer

Muhoroni County Level 4 Hospital (Kisumu County Government)
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Appendix II: Projects Implemented by The Entity

Projects

Projects implemented by the Hospital Funded by development partners

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1						
2						

Status of Projects completion

(Summarise the status of project completion at the end of each quarter, i.e. total costs incurred, stage which the project is etc)

SN	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1							
2							
3							

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Appendix III: Inter-Entity Confirmation Letter

[Insert your Letterhead]

[Insert name of beneficiary entity]

[Insert Address]

The *[insert SC/SAGA/Fund name here]* wishes to confirm the amounts disbursed to you as at 30th June 20XX 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.

Confirmation of amounts received by <i>[Insert name of beneficiary entity]</i> as at 30 th June 2023							
Reference Number	Date Disbursed	Amounts Disbursed by <i>[SC/SAGA/Fund]</i> (KShs) as at 30th June 20XX				Amount Received by <i>[beneficiary entity]</i> (KShs) as at 30 th June 2023 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
Total							

In confirm that the amounts shown above are correct as of the date indicated.

Head of Accounts Department of the beneficiary entity:

Name Sign Date

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Appendix IV Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities	Quarter				Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

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Appendix V: Disaster Expenditure Reporting Template

Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs)	Claims

