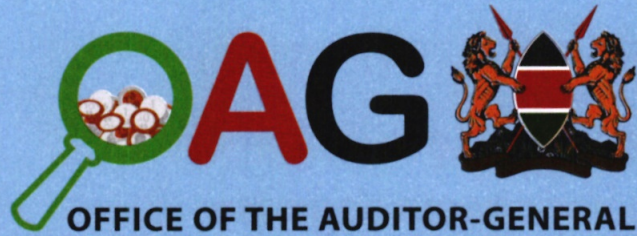


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REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF



THE AUDITOR-GENERAL

ON

PAPERS LAID	
DATE	14/11/2023
TABLED BY	Majumty Hlip
COMMITTEE	
REPORT THE TABLE	Karaka M

LUMUMBA SUB-COUNTY HOSPITAL

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

COUNTY GOVERNMENT OF KISUMU

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
KENYA

24 AUG 2023

RECEIVED



LUMUMBA SUB-COUNTY Level 4 HOSPITAL
(Kisumu County Government)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2022

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

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I. Key Entity Information and Management

(a) Background information

Lumumba Hospital is a level (4) hospital established under gazette notice number 8695 and is domiciled in Kisumu County under the Health Department. The hospital is governed by a Board of Management.

(b) Principal Activities

The principal activity/mission/ mandate of the *hospital* is to ...
(Under this section you may also include the entity's vision, mission and core objectives)

(c) Key Management

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

- County department of health
- Board of Management
- Accounting Officer/ Medical Superintendent
- Management
- Others (*specify*)

(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	PAMELA OLILO
2.	Head of finance	ELIZABETH ADHIAMBO
3.	Health Administrative Officer	SAMUEL CHWIRI
4.	Head of Nursing	EUPHINE OLUOCH
5.	Head of Laboratory	FREDRICK GOGO

(Include all positions regarded as top management in your organisation).

(e) Fiduciary Oversight Arrangements

[Here, provide a high-level description of the key fiduciary oversight arrangements covering (say)]

- Clinical Research and Standards Committee.
- Audit committee
- Risk Committee
- County Assembly
- Parliamentary committees
- Other oversight committees

(f) Entity Headquarters

P.O. Box 486-40100
Prosperity Building/House/Plaza
Kenyatta Avenue/Road/Highway
Kisumu, KENYA

(g) Entity Contacts

Telephone: (+254) 732-610960
E-mail: lumumbasch@gmail.com
Website: www.go.ke

(h) Entity Bankers

Commercial Banks *(include all your bankers)*
CO-OPERATIVE BANK OF KENYA

(i) Independent Auditors

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



(j) Principal Legal Adviser

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

(k) County Attorney



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



II. The Board of Management

Ref	Directors	Details
1.	<p>Director 1</p>  <p>MR. CHARLES BORO Hold Diploma in community health and development</p>	<p>Mr. Charles Boro is 54 years and is a business man who has over thirty years experience in community work. He has worked with various community based organization agitating for the rights the girl child.</p>
2.	Director 2	
3.	Director 3	
4.	Director 4/Alternate	
5.	<p>MEDSUP</p>  <p>Pamela Mokeira Olilo Registered Clinical Officer</p>	<p>Pamela Mokeira Olilo is 52 years old and has thirty years' experience in Clinical Medicine and Surgery. She worked in a busy Outpatient Department at Jaramogi Oginga Odinga Teaching and Referral Hospital from 1993 and became the Clinical Officer Incharge in 2008, before being posted to Lumumba Subcounty Hospital in March 2021 as the Medical Superintendent.</p>

6.	Entity Secretary	Indicate whether the secretary is a member of ICS as required under the Mwongozo code in addition to their other details.
----	------------------	---

III. Management Team

Ref	Management	Details
1.	<p>Manager 1</p> <p><i>(Insert each key manager's passport-size photo and name, and key profession/academic qualifications)</i></p>  <p>PAMELA OLILO Registered Clinical Officer</p>	<p>In Pamela Mokeira Olilo is 52 years old and has thirty years' experience in Clinical Medicine and Surgery. She worked in a busy Outpatient Department at Jaramogi Oginga Odinga Teaching and Referral Hospital from 1993 and became the Clinical Officer Incharge in 2008, before being posted to Lumumba Subcounty Hospital in March 2021 as the Medical Superintendent. dicat the main area of responsibility – without details</p> <p>Medical Superintendent</p>
2.	<p>Manager 2</p>  <p>EUPHINE OLUOCH-Nursing Officer Incharge Principal Nursing Officer</p>	<p>Euphine Oluoch is 51 years old and has twenty eight years of experience in Nursing. She hold Bachelor in Nursing Services. She previously worked in Kisumu county referral hospital(unit manager) from 1995 before being posted to Lumumba Sub County</p>

		Hospital as Nursing Officer Incharge in 2013.
3.	 <p>SAMUEL CHWIRI HOSPITAL ADMINISTRATIVE OFFICER</p>	Samuel Chwiri is 43 years old and has twelve years of experience in management. He holds Diploma in Business Management. He started working at Jaramogi Oginga Odinga Teaching Referral Hospital as accounting clerk in 2011 before being posted to Lumumba Sub county Hospital in August 2018 as Health Administrative Officer(HAO).
4.	 <p>ELIZABETH ADHIAMBO AKUKU HOSPITAL ACCOUNTANT</p>	Elizabeth Adhiambo Akuku Has 7 years experience Holder of CPA (K) AND BACHELOR DEGREE IN COMMERCE finance option
5.	Etc.	

<p><i>(Note: The Med sup and the Entity Secretary will feature both under the 'Board' and 'Management'.)</i></p>
--

IV. Chairman's Statement

The hospital board of management implemented various activities within the hospital; restructuring the facility for extension of services including the Accident and Emergency Department, a modern Radiology and Imaging Department, the Gender-Based Violence(GBV) Unit, fitting air conditioners in the theatre/pharmacy/laboratory, installing lockable cabinets in theatre/laboratory and painting of the administration block.

The board also upgraded the Hospital Management Information System to maximize revenue collection. The most unique challenge during this period was the delayed disbursement of funds, which led to the accumulation of pending payments due to suppliers dated back to 2019 that remained unpaid in our books.

The management has outlined the following activities for implementation: Acquisition of a modern X-ray machine, putting up a new social amenity (toilet) at the Accident and Emergency Department, acquiring a new backup auto generator, and the renovation of the comprehensive care unit(painting, repairing/fittings and buying the new equipment and furniture.



.....

Name...Charles Boro

Chairperson Board of Management

V. Report of The Chief Executive Officer

There was restructuring and construction of the facility for extension of services to include an integrated Maternal and Child Health/Outpatient Department, Operating Theatre, Maternity ward, Accident and Emergency Department, a modern Radiology and Imaging Department, the Gender-Based Violence(GBV) Unit, fitting air conditioners in theatre, pharmacy and laboratory, installing lockable cabinets in theatre and laboratory and painting of the administration block.

The Accident and Emergency Department was opened on 16th May 2022 and the theatre was opened on 8th June 2022.

This expansion created an increased demand for services at the facility, both clinical and diagnostic; with maternal cases being the majority. Operationalization of the facility Operating Theatre and the Accident and Emergency Department led to the increase of the facility workload as follows:

i)Number of Deliveries April (98), May (105), June (126)

Normal deliveries (322), and CS (7)

ii)Outpatient work load Over 5..... April (1255), May (1021), June (3455)

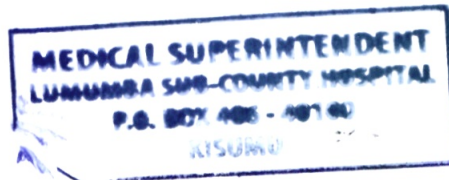
Under 5..... April (387), May (1021), June (1791)

The HMT was very instrumental in upgrading the Hospital Management Information System to maximize revenue collection, stock management, and dispensing of commodities.

The unique challenge during this period was the delayed disbursement of funds that led to the accumulation of pending payments due to suppliers dated back to 2019 that remained unpaid in our books.

The management has outlined the following activities for implementation: Acquisition of a modern X-ray machine, putting up a new social amenity (toilet) at the Accident and Emergency Department, acquiring a new backup auto generator, and the renovation of the comprehensive care unit (painting, repairing/fittings and buying the new equipment and furniture).





Name Pamela O'ilo
Medical Superintendent

VI. Statement Of Performance Against Predetermined Objectives

(Two-to-three pages)

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

Lumumba has 2 strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2021- FY 2022. These strategic pillars/ themes/ issues are as follows;

Pillar /theme/issue 1:

Pillar/theme/issue 2:

Lumumba develops its annual work plans based on the above 2 pillars/Themes/Issues. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The *facility* achieved its performance targets set for the FY 2021/2022 period for its 2 strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar/ theme/ issue 1:				
Pillar/ theme/ issue 1:				

(Under this section therefore, the management should include performance against the strategic objectives of the organisation. The management should outline the strategic Pillars, activities towards their achievement and outputs under each strategic pillar. The organisation should also briefly outline how they have tied achievements to performance contracts)

VII. Corporate Governance Statement

Two-to-three pages

(Under this section, include the number of Board meetings held and the attendance to those meetings by members, succession plan, existence of a Board charter, process of appointment and removal of Board members, roles and functions of the Board, induction, and training, Board and member performance, conflict of interest, board remuneration, ethics, and conduct as well as governance audit.)

VIII. Management Discussion and Analysis

Two- four pages

(Under this section, the management gives a report on the operational and financial performance of the organisation during the period, entity's key projects or investments decision implemented or ongoing, entity's compliance with statutory requirements, major risks facing the organisation, material arrears in statutory and other financial obligations, and any other information considered relevant to the users of the financial statements.)

The management should make use of tables, graphs, pie charts and other descriptive tools to make the information as understandable as possible. The information should show a trend for the last three years. Some of the details to be included under this section are;

Clinical/operational performance

- Bed capacity of the hospital.
- Overall patient attendance during the year for both inpatient and outpatient.
- Accident and Emergency attendance
- Specialised clinic attendance
- Average length of stay for in patient
- Bed occupancy rate
- Mortality rate
- Surgical theatre utilisation (number of operations over a period of time)
- Sponsorships and partnerships

Financial performance that includes

- revenue sources,
- utilisation of funds etc

(The management discussion and analysis should be signed by the Chief Executive Officer/Medical Superintendent)

IX. Environmental And Sustainability Reporting **Two-to-three pages)**

Lumumba 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. *(Tailor make as appropriate).*

i) Sustainability strategy and profile

Sustainable construction plays a major role in sustainable development. However, the investment rate in sustainable buildings has decreased in recent years. Social factors are one of the important factors influencing sustainable building development. Findings show that the most important social factors affecting sustainable building development across the world are poor communication and lack of common understanding among stakeholders. Effective communication management, information-sharing, a collaboration between stakeholders, and awareness regarding the benefits of sustainable buildings at an early stage of the project are some of the measures in reducing these barriers (social factors).

ii) Environmental performance

The management has adhered to the national environmental policy of 2013 that aims to provide a framework for an integrated approach to sustainable management of Kenya's environment and natural resources. The management has acquired a modern incinerator as a new environment management tool.

iii) Employee welfare

In Kenya employment is governed by the general law of contract. Employment is basically seen as an individual relationship negotiated by the employee and the employer according to their special needs. Parliament has passed laws specifically dealing with different aspects of the employer-employee relationship. These laws define the terms and conditions of employment. The employment acts include:

Employment Act (cap 514) deals with the health, safety and welfare of an employee.

Employment Act (cap 226) regulation of wages.

Employment Act (cap 229) rules governing wages, housing, leaves and rest

iv) Market place practices-

The organisation should outline its efforts to:

a) Responsible competition practice.

Explain how the organisation ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition, and respect for competitors.

b) Responsible Supply chain and supplier relations

Explain how the organisation maintains good business practices, and treats its own suppliers responsibly by honouring contracts and respecting payment practices.

c) Responsible marketing and advertisement

Outline efforts to maintain ethical marketing practices.

d) Product stewardship

Outline efforts to safeguard consumer rights and interests.

v) Corporate Social Responsibility / Community Engagements

The organisation gives details of CSR activities carried out in the year and the impact to the society. Give evidence of community engagement including charitable giving (cash and material), Corporate Social Investment and other forms of community engagements.

X. Report of The Board of Management

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

Principal activities

The principal activities of the entity are (continue to be)

Results

The results of the entity for the year ended June 30 are set out on page

Board of Management

The members of the Board who served during the year are shown on page xxx. During the year xxx director retired/ resigned and xxx was appointed with effect from xxxx date.

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 or XYZ Certified Public Accountants were nominated by the Auditor General to carry out the audit of the *entity* for the year/period ended June 30, 2022 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board

(XXX
To be signed by the Secretary of the Board)

Statement of Board of Management's Responsibilities

Section 164 of the Public Finance Management Act, 2012 (*entities should quote the applicable legislation under which they are regulated*) requires the Board of Management to prepare financial statements in respect of that *entity*, which give a true and fair view of the state of affairs of the *entity* 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 *entity* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *entity*. The council members are also responsible for safeguarding the assets of the *entity*.

The Board of Management is responsible for the preparation and presentation of the *entity's* financial statements, which give a true and fair view of the state of affairs of the *entity* for and as at the end of the financial year (period) ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the *entity*, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the *entity*; (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 *entity's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (*– entities should quote applicable legislation as indicated under*). The Board members are of the opinion that the *entity's* financial statements give a true and fair view of the state of *entity's* transactions during the financial year ended June 30, 2xxx, and of the *entity's* financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the *entity's* financial statements as well as the adequacy of the systems of internal financial control.

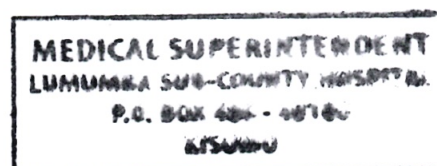
Nothing has come to the attention of the Board of management to indicate that the *entity* will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Hospital's financial statements were approved by the Board on 14/7/22 and signed on its behalf by:

.....
Name: _____
Chairperson
Board of Management

.....
Name: PAMBWA OLWA
Accounting Officer



REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON LUMUMBA SUB-COUNTY HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2022 - 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 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

Disclaimer of Opinion

I have audited the accompanying financial statements of Lumumba Sub-County Hospital - County Government of Kisumu set out on pages 1 to 51, which comprise of the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows, and statement

Report of the Auditor-General on Lumumba Sub-County Hospital for the year ended 30 June, 2022 - County Government of Kisumu

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 do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1.0. Non-Compliance with the Prescribed Financial Reporting Template

Review of the annual report and financial statements revealed that Management did not comply with the reporting template for Levels 4 and 5 hospitals, issued in June, 2022, by the Public Sector Accounting Standards Board (PSASB) as highlighted below;

- i. The date when the financial statements were approved is not indicated.
- ii. Management did not capture details relating to the Hospital in the following statements which were copied from prescribed reporting template without editing: statement of performance against predetermined objectives, corporate governance statement, management discussion and analysis, environmental and sustainability reporting, report of the Board of Management and statement of Board of Management's responsibilities.
- iii. The statement of changes in net asset does not reflect any amounts.
- iv. The statement of cash flows does not capture the specific notes numbering.
- v. The statement of comparison of budget and actual amounts is incomplete since it does not reflect any budget amounts.
- vi. Cash generated from operations under Note 41 is blank despite cash being a risky area in cash management.
- vii. The financial statements are not signed by the Head of Finance.

This is contrary to Section 164(1) of the Public Finance Management Act, 2012, which requires Accounting Officer of a County Government entity to prepare financial statements of the entity in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time.

In the circumstances, the completeness, presentation and disclosures of the financial statements do not comply with the prescribed template by the PSASB. Further, Management was in breach of the law.

2.0. Inaccuracies in the Financial Statements

Review of the financial statements revealed the following anomalies;

2.1. Variance in the Transfers from Other Government Entities

The statement of financial performance reflects transfers from other Government entities amount of Kshs.1,334,180, while the supporting Note 9 to the financial statements reflects an amount of Kshs.1,238,450 resulting in an unexplained and unreconciled variance of Kshs.95,730.

2.2. Inaccuracies in the Statement of Financial Position

The statement of financial position reflects total net assets and liabilities balance of Kshs.2,925,486, which differs with the re-casted balance of Kshs.11,872,152, resulting in an unexplained and unreconciled variance of Kshs.8,946,666. Further, the re-casted balance of Kshs.11,872,152 differs with total assets balance of Kshs.235,079,954, resulting in an unexplained and unreconciled variance of Kshs.223,207,802 and therefore an unbalanced statement of financial position. In addition, the statement of financial position reflects an unexplained negative capital fund balance of Kshs.160,334.

2.3. Inaccuracies in the Statement of Changes in Net Assets

The statement of changes in net assets reflects nil balances in respect of total net assets and liabilities while the statement of financial position reflects accumulated surplus and negative capital fund balance of Kshs.4,191,993 and Kshs.160,344, respectively resulting in an unexplained and unreconciled variance of Kshs.4,031,649.

2.4. Inaccuracies in the Statement of Cash Flows

The statement of cash flows reflects total receipts amount of Kshs.13,862,120 which differs with the re-casted amount of Kshs.13,973,090, resulting in an unexplained and unreconciled variance of Kshs.110,970. Further, the statement of cash flows reflects nil balance in respect of net cash flows from operating activities, re-computation of the total reflects an amount of Kshs.1,781,023 resulting in an unexplained and unreconciled variance of Kshs.1,781,023. In addition, the statement of cash flows reflects nil net increase in cash and cash equivalents which differs with the re-computed amount of Kshs.1,620,679. Similarly, the statement of cash flows reflects cash and cash equivalents balance of Kshs.2,330,578 which differs with the re-computed balance of Kshs.3,291,786 resulting to an unexplained and unreconciled variance of Kshs.961,208. Further, the recomputed balance of Kshs.3,291,786 differs with cash and cash equivalents balance of Kshs.2,197,978 reported in the statement of financial position resulting in an unreconciled variance of Kshs.1,093,808.

2.5. Unbalanced Trial Balance

The trial balance used to prepare the financial statements reflects total debit and credit balances of Kshs.247,453,995 and Kshs.24,113,593, respectively resulting in an unexplained and unreconciled variance of Kshs.223,340,402.

2.6. Unreconciled Variances Between the Financial Statements and Supporting Schedules or Ledger

Review of financial statements revealed unexplained and unreconciled variances between the financial statements amounts and balances and the supporting schedules as detailed below;

Component	Financial Statements Figure (Kshs.)	Schedules /Ledger (Kshs.)	Variance (Kshs.)
Transfers from Other Government Entities (NHIF)	1,334,180	1,238,450	95,730
In-kind contributions from County Government	2,300,000	2,250,472	49,528
Medical/Clinical Costs	5,615,962	4,915,603	700,359
Repairs and Maintenance	633,037	636,533	(3,496)
General Expenses	3,903,062	4,602,427	(699,365)

2.7. Variances Between NHIF Receipts and Bank Statements

The statement of financial performance reflects transfers from other Government entities (NHIF) amount of Kshs.1,334,180 as disclosed in Note 9 to the financial statements. However, review of the bank statements revealed that the Hospital received NHIF funding amounting to Kshs.1,238,450, resulting in an unexplained variance of Kshs.95,730.

In the circumstances, the accuracy, completeness, presentation and disclosure of the financial statements could not be confirmed.

3.0. Inaccuracies in the Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.7,840,503 as disclosed in Note 34 to the financial statements. However, the balance revealed the following issues;

- i. The balance of Kshs.7,840,503 differs with corresponding amounts reflected in the supporting schedules as follows;

Item	Amounts as per Financial Statements (Kshs.)	Amount in the Supporting Schedule (Kshs.)	Variance (Kshs.)
Trade Payables	7,095,496	6,863,498	231,998
Employee Dues (Accrued Wages)	700,007	920,305	(220,298)
Statutory Deductions	45,000	56,700	(11,700)
Total	7,840,503	7,840,503	-

- ii. Further, invoices, demand notices, suppliers' statements, fee notes and delivery notes confirming the authenticity of the trade payables were not provided for audit. In addition, age analysis of the trade and other payables could not be confirmed.

- iii. In addition, no reason was given for failure to settle the bills balance of Kshs.7,840,503 during the financial year 2021-2022, contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015 which stipulates that 'debt service payments shall be a first charge on the County Revenue Fund and the Accounting Officer shall ensure this is done to the extent possible that the County Government does not default on debt obligations'.

In the circumstances, the existence, accuracy and completeness of the trade and other payables balance of Kshs.7,840,503 could not be confirmed. Further, suppliers may decline to do business with the Hospital in future while others may take legal action against the Hospital and demand interest on delayed payment.

4.0. Unsupported Rendering of Services – Medical Service Income

The statement of financial performance reflects rendering of services - medical service income amount of Kshs.5,112,434 as disclosed in Note 11 to the financial statements. However, the Hospital did not maintain copies of receipts issued (receipt books) to support the amount hence revenue may have been collected but not accounted for.

In the circumstances, the accuracy and completeness of the rendering of services - medical service income amounting to Kshs.5,112,434 could not be confirmed.

5.0. Inaccuracies in the Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.2,197,978 as disclosed in Note 27 to the financial statements. However, bank reconciliation statement for the month of June, 2022 includes reconciling items in respect of payments in cash book not yet recorded in the bank statement (unpresented cheques) and receipts in bank statement not yet recorded in cash book amounting to Kshs.117,480 and Kshs.15,240, respectively. Further, schedules showing the dates when the transactions took place were not provided for audit. In addition, the cash and cash equivalents balance of Kshs.2,197,978 differs with the trial balance of Kshs.2,330,578 resulting in an unreconciled variance of Kshs.132,600.

Similarly, review of cash book revealed numerous alterations of amounts, an indication that the cash book did not balance. Further, the cash book was neither checked by the next senior officer or internal auditor nor did the accountant capture either voucher number or cheque number in the cash book. In addition, review of vote book revealed that a number of vote heads were not up to date.

In the circumstances, the existence, accuracy and completeness of the cash and cash equivalents balance of Kshs.2,197,978 could not be confirmed. Further, the effectiveness of internal controls over maintenance of vote book and cash book could not be confirmed.

6.0. Failure to Open Facility Improvement Bank Account

Review of financial statements and documents related to bank accounts revealed that the Management had not opened a Facility Improvement Bank Account for the Hospital. No explanation was given for the omission. This is contrary to Section 5(a) of the Kisumu

County Health Facilities Improvement Fund Act, 2021, which states that 'each public health facility shall open and operate a bank account called Facility Improvement Bank Account in respect of each facility'.

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

7.0. Unsupported Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs.1,104,620 as disclosed in Note 28 to the financial statements which relates to medical services receivables. However, the claims schedule provided for audit reflected block amounts whose details could not be ascertained. Further, Management did not provide statements on the claims paid.

In the circumstances, the existence, accuracy and completeness of the receivables from exchange transactions balance of Kshs.1,104,620 could not be confirmed.

8.0. Inaccuracies in the Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.231,777,356 as disclosed in Note 31 to the financial statements. The following unsatisfactory matters were noted;

8.1. Inaccuracies in the Property, Plant and Equipment

The balance of Kshs.231,777,356 differs with Note 31 to the financial statements and the trial balance of Kshs.231,937,700 resulting to an unexplained variance of Kshs.160,344 which represents additions during the year under review. Further, Note 31 to the financial statements does not reflect the net book values, accumulated depreciation and depreciation charge for the year. This is contrary to Note 4(e) on the summary of significant accounting policies which reflects that property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. In addition, the Note 4(e) has not disclosed the adopted depreciation rate by the Hospital.

8.2. Lack of Ownership Documents for Land and Buildings

The balance of Kshs.231,777,356 includes buildings and civil works balance of Kshs.200,569,900 and nil land balance. However, the title documents provided for audit showed that the land on which the Hospital is built is in the name of the defunct Municipal Council of Kisumu.

8.3. Lack of Valuation Reports on Land and Buildings

Valuation report to support the buildings and civil works balance of Kshs.200,569,900 were not provided for audit. Further, the parcel of land had not been surveyed and report provided for audit review. This is contrary to Paragraphs 26 and 27 of International Public Sector Accounting Standards (IPSAS) 17, which states that 'an item of property, plant and equipment that qualifies for recognition as an asset shall be measured at its cost. Where an asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value at the date of acquisition'.

8.4. Lack of Fixed Assets Register

Management did not maintain a fixed assets register contrary to Regulation 136(1) of the Public Finance Management (County Governments) Regulations, 2015, which provides that 'the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws'.

8.5. Undisclosed Furniture, Fittings and Office Equipment

The balance of Kshs.231,777,356 excludes Hospital's furniture, fittings and office equipment, contrary to Paragraphs 26 and 27 of International Public Sector Accounting Standards (IPSAS) 17, which states that 'an item of property, plant and equipment that qualifies for recognition as an asset shall be measured at its cost. Where an asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value at the date of acquisition'.

In the circumstances, the existence, ownership, valuation, accuracy, completeness, presentation and disclosure of the property, plant and equipment balance of Kshs.231,777,356 could not be confirmed. Further, the Management was in breach of the law.

9.0. Inaccuracies in the Inventories

The statement of financial position reflects nil balance in respect of inventories, despite the fact that the Hospital has inventories in form of pharmaceutical and non-pharmaceutical items. No satisfactory explanation was provided for the omission. Further, during the year under review, Management did not conduct stocktake for inventories, contrary to Section 162(1) of the Public Procurement and Asset Disposal Act, 2015. Further, it was noted that the Hospital lacked a proper inventory management system and therefore it was not possible to ascertain how the goods in the Hospital were utilized.

In the circumstances, the accuracy and completeness of the nil inventories balance could not be confirmed. Further, Management was in breach of the law.

10.0. Inaccuracies in the Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects total actual revenue and expenditure amounts of Kshs.13,973,090 and Kshs.12,241,441, respectively and nil income and expenditure budgets. Review of the Hospital's budget revealed that no budget estimates for revenue was prepared, contrary to the requirements of Regulations 28(1) and (2) of the Public Finance Management (County Governments) Regulations, 2015. No explanation was provided why the expenditure budget amounts were not included in the statement of comparison of budget and actual amounts and reasons as to why the revenue budget not prepared.

Further, the actual revenue amount of Kshs.13,973,090 differs with corresponding amount of Kshs.16,273,090 reflected in the statement of financial performance, resulting in an unreconciled and unexplained variance of Kshs.2,300,000.

In the circumstances, the accuracy, completeness, presentation and disclosure of the statement of comparison of budget and actual amounts could not be confirmed. Further, Management was in breach of the law.

11.0. Lack of Statute Guiding Existence and Operations of the Hospital

Review of laws relating to County Government entities revealed that there is no Act of Parliament or of County Assembly regulating or guiding the establishment and operations of health facilities in the Counties, despite the fact that health services, including County Health Facilities and Pharmacies are County Government functions under Article 176 (2) of the Constitution of Kenya, 2010.

In the circumstances, it has not been possible to establish the legal existence and operations of Lumumba Sub-County Hospital.

12.0. Non-Provision of Procurement of Goods and Services Related to Clinical or Medical Expense

The statement of financial performance reflects medical or clinical costs amount of Kshs.5,615,962 as disclosed in Note 15 to the financial statements which includes payments totalling to Kshs.1,585,511 whose supporting procurement documents such as tender documents including tender opening minutes, bids from all bidders, quotations, appointment letters to tender opening and evaluation committees, tender committee minutes, tender evaluation report, notification of awards, acceptance letters, professional opinion and contract or service agreements were not provided for audit. Further, it was not possible to confirm whether the suppliers or merchants were competitively sourced. This is contrary to Section 9(1) (e) of the Public Audit Act, 2015, which states that 'without prejudice to the powers given under the Constitution and this Act and for the purposes of carrying out his or her duties effectively, the Auditor-General, or an officer authorized for the purpose of this Act, shall have powers of unrestricted access to-(i) all books, records, returns, reports, electronic or otherwise and other documents of entities listed under Article 229 (4) of the Constitution'.

In the circumstances, value for money may not have been realized on the expenditure of Kshs.1,585,511. Further, Management was in breach of the law.

13.0. Failure to Implement E-Procurement System

During the year, Management had not implemented E-Procurement System as required by Executive Order No. 2 of 2018 and Regulation 49(2) of the Public Procurement and Asset Disposal Regulations, 2020 which states that 'the conduct of e-procurement procedures for the supply of goods, works and services shall be carried out by a procuring entity using an e-procurement system which is integrated to the State Portal'. Management explained that this was because they did not have access to the Integrated Financial Management Information System (IFMIS) and that the procurement of goods and services used by the Hospital was done by Kisumu County Referral Hospital which had access to the IFMIS. No approval or explanation for this arrangement was provided for audit.

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

14.0. Non-Compliance with Kenya Quality Model for Health Policy Guidelines

Verification of services offered, equipment used and number of staffing at the Hospital revealed that during the year under review, the Hospital did not meet the requirements of Kenya Quality Model for Health policy guidelines. It was noted that a number of services, personnel engaged and equipment available were not as per Kenya Quality Model for Health policy guidelines as analyzed below:

Personnel Requirements

	Level 4 Standard	No. in Hospital
Medical Officers	16	2
Anesthesiologists	2	1
General Surgeons	2	0
Gynecologists	2	1
Pediatrics	2	1
Kenya Registered Community Health Nurses	75	15

Service Provision Requirements

Services	Standard	Observation
Surgical	Should be in place	In place (Outpatient)
Pediatric	Should be in place	In place (Outpatient)
In-patients	Should be in place	In place (Only Maternity and Gynecology)
Renal Dialysis,	Should be in place	Not in place
Mortuary and Autopsy Services	Should be in place	Not in place
Advanced Life Support	Should be in place	Not in place
Beds	150	25
New Born Unit - Incubators Incubators and Five (5) cots	5	4 incubators (none is being utilized)
New Born Unit Cots	5	8 (none is being utilized)
Functional Intensive Care Unit – Beds	6	0
High Dependency Unit - Beds	6	0
Renal Unit with at Least 5 Dialysis Machines	5	0
Two Functional Operating Theaters Maternity and General	2	1 (General)

In the circumstances, Universal Health Care may not be effectively delivered at the Hospital.

15.0. Failure to Establish Audit Committee and Operations of Internal Audit Unit

During the year, the Hospital had not established an Audit Committee and no evidence or report was provided to confirm that Management relied on the Internal Audit Department of the County Executive of Kisumu. This is contrary to Regulation 167(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires each County Government entity to establish an Audit Committee.

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

16.0. Ineffective Governance by the Board of Management

The statement of financial performance reflects Board of Management expenses of Kshs.136,500 as disclosed in Note 17 to the financial statements. Review of Board records revealed that the Board of Management only met three times during the financial year under audit, contrary to the institutional setup for administration and management of Health Services in Kisumu County, under the sub-heading, "Conduct of Meetings" which states that 'the Board and sub-Committees shall convene once per quarter in each financial year (i.e. four full board meetings)'.

In the circumstances, the effectiveness of governance in the Hospital could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

I do not express a conclusion on the effectiveness of internal controls, risk management and overall governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

Responsibilities of Management and Board of Management

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines

is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall 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

My responsibility is to conduct an audit of the financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is 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. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance 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. However, because of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources, and Internal

Controls, Risk Management and Governance sections of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion.

I am independent of the Hospital in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

13 October, 2023

Lumumba sub county Hospital (Kisumu County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

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


Description	Notes	2021/22	2020/21
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	6	7,526,476	
In-kind contributions from the County Government	7	2,300,000	
Grants from donors and development partners	8		
Transfers from other Government entities	9	1,334,180	
Public contributions and donations	10		
		11,160,656	
Revenue from exchange transactions			
Rendering of services- Medical Service Income	11	5,112,434	
Revenue from rent of facilities	12		
Finance /Interest Income	13		
Other income (<i>specify</i>)	14		
Revenue from exchange transactions			
Total revenue		16,273,090	
Expenses			
Medical/Clinical costs	15	5,615,962	
Employee costs	16	1,792,536	
Board of Management Expenses	17	136,500	
Depreciation and amortization expense	18		
Repairs and maintenance	19	633,037	
Grants and subsidies	20		
General expenses	21	3,903,062	
Finance costs	22		
Total expenses		12,081,097	
Other gains/(losses)			
Gain on disposal of non-Current assets	23		
Unrealized gain on fair value of investments	24		

Lumumba sub county Hospital (Kisumu County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022


Medical services contracts Gains/Losses	25		
Impairment loss	26		
Gain on foreign exchange transactions			
Total othergains/(losses)			
Net Surplus for the year		4,191,993	
Attributable to:			
Surplus/(deficit) attributable to minority interest			
Surplus attributable to owners of the controlling entity			

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


The Hospital's financial statements were approved by the Board on 14/7/22 and signed on its behalf by:



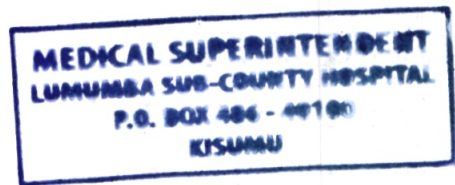
Chairman
 Board of Management



Head of Finance
 ICPAK No:



Medical Superintendent



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


Description	Notes	2021/22 Kshs	2020/21 Kshs
Assets			
Current assets			
Cash and cash equivalents	27	2,197,978	
Receivables from exchange transactions	28	1,104,620	
Receivables from non-exchange transactions	29		
Inventories	30		
Total Current Assets		3,302,598	
Non-current assets			
Property, plant, and equipment	31	231,777,356	
Intangible assets	32		
Investment property	33		
Total Non-current Assets		231,777,356	
Total assets		235,079,954	
Liabilities			
Current liabilities			
Trade and other payables	34	7,840,503	
Refundable deposits from customers/Patients	35		
Provisions	36		
Finance lease obligation	37		
Current portion of deferred income	38		
Current portion of borrowings	39		
Total Current Liabilities			
Non-current liabilities			
Provisions	36		
Non-Current Finance lease obligation	37		
Non-Current portion of deferred income	38		
Non - Current portion of borrowings	39		
Service concession liability	40		
Total Non-current liabilities			
Total Liabilities		7,840,503	

*Lumumba sub county Hospital (Kisumu County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022*


Description	Notes	2021/22 Kshs	2020/21 Kshs
Netassets		\	
Revaluation reserve			
Accumulated surplus/Deficit		4,191,993	
Capital Fund		(160,344)	
TotalNetAssetsandLiabilities		2,925,486	

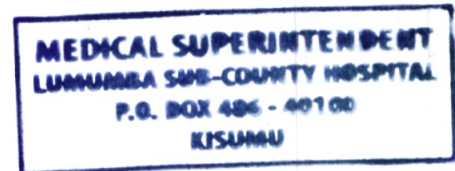
(The notes set out on pages x to xx form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 14/2/22 and signed on its behalf by:


.....
Chairman
Board of Management

.....
Head of Finance
iCPAK No:


.....
Medical Superintendent



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

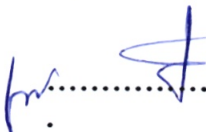
	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2020				
Revaluation gain				
Surplus/(deficit) for the year				
Capital/Development grants				
As at June 30, 2021				
At July 1, 2021				
Revaluation gain				
Surplus/(deficit) for the year				
Capital/Development grants				
At June 30, 2022				

(Note:

1. For items that are not common in the financial statements, the entity should include a note on what they relate to – either on the face of the statement of changes in equity/net assets or among the notes to the financial statements.
2. Prior year adjustments should have an elaborate note describing what the amounts relate to. In such instances, a restatement of the opening balances needs to be done.)

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

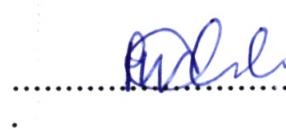
The Hospital’s financial statements were approved by the Board on 14/7/22 and signed on its behalf by:



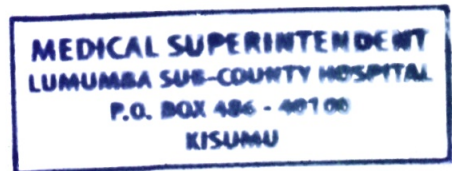
Chairman
Board of Management



Head of Finance
ICPAK No:



Medical Superintendent



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

Description	Note	2021/22 Kshs	2020/21 Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government		7,526,476.25	
Grants from donors and development partners			
Transfers from other Government entities		1,334,180	
Public contributions and donations			
Rendering of services- Medical Service Income		5,112,434	
Revenue from rent of facilities			
Finance / interest income			
Other receipts(<i>specify</i>)			
Total Receipts		13,862,120	
Payments			
Medical/Clinical costs		5,615,962	
Employee costs		1,792,536	
Board of Management Expenses		136,500	
Repairs and maintenance		633,037	
Grants and subsidies			
General expenses		3,903,062	
Finance costs			
Refunds paid out			
Total Payments		12,081,097	
Net cash flows from operating activities	4 ¹		
Cash flows from investing activities			
Purchase of property, plant, equipment, & intangible assets		(160,344)	
Proceeds from the sale of property, plant, and equipment			
Acquisition of investments		()	
Net cash flows used in investing activities		(160,344)	
Cash flows from financing activities			
Proceeds from borrowings			
Repayment of borrowings			
Capital grants received			
Net cash flows used in financing activities			

Lumumba sub county Hospital (Kisumu County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

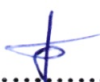
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at 1 July	27	1,671,107	
Cash and cash equivalents at 30 July	27	2,330,578	

(IPSAS 2 allows an entity to present the cash flow statement using the direct or indirect method but encourages the direct method. PSASB also recommends the use of direct method of cash flow preparation).

The notes set out on pages x to xx form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 14/7/23 and signed on its behalf by:



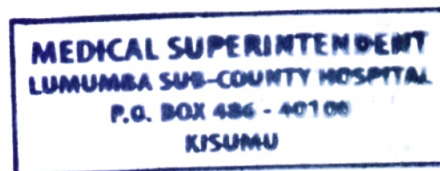
Chairman
Board of Management



Head of Finance
ICPAK No:



Medical Superintendent



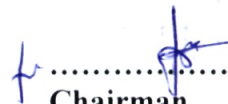
XVII. Statement Of Comparison of Budget and Actual Amounts For The Year Ended 30 June 2022

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Transfers from the County Government				7,526,476		%
Grants from donors and development partners						%
Transfers from other Government entities				1,334,180		%
Public contributions and donations						%
Rendering of services- Medical Service Income				5,112,434		%
Revenue from rent of facilities						%
Finance / interest income						%
Other receipts (<i>specify</i>)						%
Total income				13,973,090		%
Expenses						
Medical/Clinical costs				5,615,962		%
Employee costs				1,792,536		%
Remuneration of directors				136,500		%
Repairs and maintenance				633,037		%
Grants and subsidies						%
General expenses				3,903,062		%
Finance costs						%
Refunds						%
Surplus for the period				1,891,993		%
Capital expenditure				160,344		%

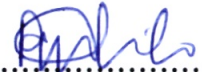
(Budget notes)

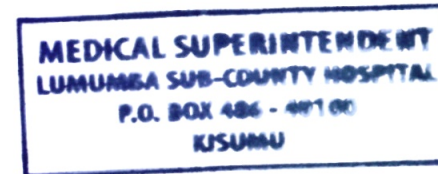
1. Provide an explanation of differences between actual and budgeted amounts (10% over/ under) IPSAS 24.14
2. Provide an explanation of changes between the original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)
3. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual) provide a reconciliation.)

The notes set out on pages x to xx form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 4/7/22 and signed on its behalf by:


.....
Chairman
Board of Management

.....
Head of Finance
ICPAK No:


.....
Medical Superintendent



XVIII. Notes To the Financial Statements

1. General Information

Lumumba entity is established by and derives its authority and accountability from xxx Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is health administration.

2. Statement Of Compliance And Basis Of Preparation

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

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

3. Adoption of New and Revised Standards

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

Notes to the Financial Statements (Continued)

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

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

*Lumumba sub county Hospital (Kisumu County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022*

	<p>(c) The impact of such social benefits provided on the Entity’s financial performance, financial position and cash flows.</p> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
Other improvements to IPSAS	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 32: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p> <p><i>State the impact of the standard to the Entity if relevant</i></p>
IPSAS 43	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that</p>

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

ii. Early adoption of standards

The entity did not early – adopt any new or amended standards in the year xx/xx

4. Summary Of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

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

Notes to the Financial Statements (Continued)

Revenue from exchange transactions

Rendering of services

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

Sale of goods

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

Interest income

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

Dividends

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

Rental income

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

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Notes to the Financial Statements (Continued)

4) Budget information

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

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

Notes to the Financial Statements (Continued)

c) Taxes

Sales tax/ Value Added Tax

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

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

d) Investment property

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

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

e) Property, plant and equipment

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

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

Notes to the Financial Statements (Continued)

f) Leases

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

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

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

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

g) Intangible assets

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

Notes to the Financial Statements (Continued)

h) Research and development costs

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

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

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

i) Financial instruments

Financial assets

Initial recognition and measurement

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

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

Loans and receivables

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

Notes to the Financial Statements (Continued)

Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

Notes to the Financial Statements (Continued)

Loans and borrowing

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

i) Inventories

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

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

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

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

j) 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.

Notes to the Financial Statements (Continued)

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

Contingent liabilities

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

Contingent assets

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

k) 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.)*

l) 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.

m) 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.

Notes to the Financial Statements (Continued)

n) Foreign currency transactions

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

o) Borrowing costs

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

p) Related parties

The 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.

q) Service concession arrangements

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

Notes to the Financial Statements (Continued)

r) Cash and cash equivalents

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

s) Comparative figures

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

t) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the 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)

Notes to the Financial Statements (Continued)

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).

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6. Transfers From The County Government

Description	2021/22	2020/21
	KShs	KShs
Unconditionalgrants		
Operational grant	7,526,476	
Level 5 grants		
Other grants		
Conditionalgrants		
User fee forgone		
Transforming health services for Universal care project (THUCP)		
DANIDA		
Wards Development grant		
Paediatric block grant		
Administration block grant		
Laboratory grant		
Totalgovernmentgrantsandsubsidies	7,526,476	

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Notes to the Financial Statements (Continued)

6 Transfers from The County Government

Name of the Entity sending the grant	Amount recognized to Statement of financial performance KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	Total 2020/21
			KShs	KShs	KShs
Kisumu County Government					
Total					

(Ensure that the amount recorded above as having been received from the County fully reconciles to the amount recorded by the amount recorded as transferred by the County. An acknowledgement note/receipt should be raised in favour of the sending County Government. The details of the reconciliation have been included under appendix xxx).

7. In Kind Contributions from The County Government

Description	2021/22	2020/21
	KShs	KShs
Salaries and wages		
Pharmaceutical and Non-Pharmaceutical Supplies		
Medical supplies-Drawings Rights (KEMSA)	2,300,000	
Utility bills		
Total grants in kind	2,300,000	

(These include payments made directly by the County Governments for staff salaries and medical & ugs. These should be recorded both as income and expense for completeness of financial statements)

8. Grants From Donors and Development Partners

Description	2021/22	2020/21
	KShs	KShs
Cancer Centre grant- DANIDA		
World Bank grants		
Paediatric ward grant- JICA		
Research grants		
Other grants (<i>specify</i>)		
Total grants from development partners		

(Provide brief explanation for this revenue)

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Notes to the Financial Statements (Continued)

8 (a) Grants from donors and development partners (Classification)

Name of the Entity sending the grant	Amount recognized to Statement of financial performance	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	Total 2020/21
	KShs	KShs	KShs	KShs	KShs
Donor e.g., DANIDA					
JICA					
World Bank					
Total					

9. Transfers From Other Government Entities

Description	2021/22	2020/21
	KShs	KShs
Transfer from National Government (Ministry of Health)		
Transfer from National Hospital insurance fund (NHIF)	1,238,450	
Transfer from xxx Institute		
Total Transfers	1,238,450	

10. Public Contributions and Donations

Description	2021/22	2020/21
	KShs	KShs
Public donations		
Donations from local leadership		
Donations from religious institutions		
Donations from other international organisations and individuals		
Other donations(<i>specify</i>)		
Donations in kind-amortised		
Total donations and sponsorships		

(Provide brief explanation for this revenue)

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Notes to the Financial Statements (Continued)

10 (a) Reconciliations of amortised grants

Description	2021/22	2020/21
	KShs	KShs
Balance unspent at beginning of year		
Current year receipts		
Amortised and transferred to revenue		
Conditions to be met – remain liabilities		

11. Rendering of Services-Medical Service Income

Description	2021/22	2020/21
	KShs	KShs
Pharmaceuticals	819,821	
Non-Pharmaceuticals		
Laboratory	2,471,340	
Radiology	511,303	
Orthopedic and Trauma Technology	7460	
Theatre	1,970	
Accident and Emergency Service	0	
Anesthesia Service	0	
Ear Nose and Throat service	0	
Nutrition service	0	
Cancer centre service	0	
Dental services	400	
Reproductive health		
Paediatrics services		
Farewell/home services		
Other medical services income	1,300,200	
Total revenue from the rendering of services	5,112,434	

(other medical services fee relates to other charges not listed above)

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Notes to the Financial Statements (Continued)

12. Revenue From Rent of Facilities

Description	2021/22	2020/21
	KShs	KShs
Residential property		
Commercial property		
Total Revenue from rent of facilities		

(Provide brief explanation for this revenue)

13. Finance /Interest Income

Description	2021/22	2020/21
	KShs	KShs
Cash investments and fixed deposits		
Interest income from short- term/ current deposits		
Interest income from Treasury Bills		
Interest income from Treasury Bonds		
Interest from outstanding debtors		
Total finance income		

(Provide brief explanation for this revenue)

14. Other Income

Description	2021/22	2020/21
	KShs	KShs
Insurance recoveries		
Income from sale of tender		
Services concession income		
Sale of goods (water, publications, containers etc)		
Total other income		

(NB: All income should be classified as far as possible in the relevant classes and other income should be used to recognise income not elsewhere classified).

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Notes to the Financial Statements (Continued)

15. Medical/ Clinical Costs

Description	2021/22	2020/21
	KShs	KShs
Dental costs/ materials		
Laboratory chemicals and reagents	489,400	
Public health activities		
Food and Ration	2,159,367	
Uniform, clothing, and linen		
Dressing and Non-Pharmaceuticals	676,633	
Pharmaceutical supplies	1,627,608	
Health information stationery	385,764	
Reproductive health materials		
Sanitary and cleansing Materials	209,190	
Purchase of Medical gases		
X-Ray/Radiology supplies	68,000	
Other medical related clinical costs (<i>specify</i>)		
Total medical/ clinical costs	5,615,962	

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

16. Employee Costs

Description	2021/22	2020/21
	KShs	KShs
Salaries, wages, and allowances	1,589,510	
Contributions to pension schemes	93026	
Service gratuity		
Performance and other bonuses		
Staff medical expenses and Insurance cover	110,000	
Group personal accident insurance and WIBA		
Social contribution		
Other employee costs (<i>specify</i>)		
Employee costs	1,792,536	

(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	2021/22	2020/21
	KShs	KShs
Chairman's Honoraria		
Sitting allowance	136,500	
Mileage		
Insurance expenses		
Induction and training		
Travel and accommodation allowance		
Airtime allowances		
Total	136,500	

18. Depreciation And Amortization Expense

Description	2021/22	2020/21
	KShs	KShs
Property, plant and equipment		
Intangible assets		
Investment property carried at cost		
Total depreciation and amortization		

19. Repairs And Maintenance

Description	2021/22	2020/21
	KShs	KShs
Property- Buildings	562,187	
Medical equipment	70,850	
Office equipment		
Furniture and fittings		
Computers and accessories		
Motor vehicle expenses		
Maintenance of civil works		
Total repairs and maintenance	633,037	

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Notes to the Financial Statements (Continued)

20. Grants And Subsidies

Description	2021/22	2020/21
	KShs	KShs
Community development and social work		
Education initiatives and programs		
Free/ subsidised medical camp		
Disability programs		
Free cancer screening		
Other grants and subsidies(<i>specify</i>)		
Total grants and subsidies		

21. General Expenses

Description	2021/22	2020/21
	KShs	KShs
Advertising and publicity expenses		
Catering expenses		
Waste management expenses		
Insecticides and rodenticides		
Audit fees		
Bank charges	14,570	
Conferences and delegations		
Consultancy fees		
Contracted services	1,736,885	
Electricity expenses	548,752	
Insurance		
Research and development expenses		
Travel and accommodation allowance		
Legal expenses		
Licenses and permits		
Courier and postal services		
Printing and stationery	718,235	
Hire charges		
Rent expenses		
Water and sewerage costs	600,000	
Skills development levies		
Telephone and mobile phone services	90,000	
Fuel	194,620	

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Description	2021/22	2020/21
	KShs	KShs
Internet expenses		
Staff training and development		
Subscriptions to professional bodies		
Subscriptions to newspapers periodical, magazines, and gazette notices		
Library books/Materials		
Parking charges		
TotalGeneralExpenses	3,903,062	

22. Finance Costs

Description	2021/22	2020/21
	KShs	KShs
Borrowings (amortized cost) *		
Finance leases (amortized cost)		
Interest on Bank overdrafts/Guarantees		
Interest on loans from commercial banks		
Totalfinancecosts		

(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	2021/22	2020/21
	KShs	KShs
Property, plant, and equipment		
Intangible assets		
Other assets not capitalised (<i>specify</i>)		
Totalgainonsaleofassets		

24. Unrealized Gain On Fair Value Investments

Description	2021/22	2020/21
	KShs	KShs
Investments at fair value		
Totalgain		

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Notes to the Financial Statements (Continued)

25. Medical Services Contracts Gains /Losses

Description	2021/22	2020/21
	KShs	KShs
Comprehensive care contracts with NHIF		
Non- Comprehensive contracts care with NHIF		
Linda Mama Program		
Waivers and Exemptions		
TotalGain/Loss		

26. Impairment Loss

Description	2021/22	2020/21
	KShs	KShs
Property, plant, and equipment		
Intangible assets		
Totalimpairmentloss		

27. Cash And Cash Equivalents

Description	2021/22	2020/21
	KShs	KShs
Current accounts		
On - call deposits		
Fixed deposits accounts		
Cash in hand		
Others(<i>specify</i>)- Mobile money		
Totalcashandcashequivalents		

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

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Notes to the Financial Statements (Continued)

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

Description		2021/22	2020/21
Financial institution	Account number	KShs	KShs
a) Current account			
Kenya Commercial bank			
Cooperative bank	01141495252200	2,330,578	
Sub- total			
b) On - call deposits			
Kenya Commercial bank			
Equity Bank – etc			
Sub- total			
c) Fixed deposits account			
Bank Name			
Sub- total			
d) Others(specify)			
cash in hand			
Mobile money- Mpesa, Airtel money			
Sub- total			
Grand total		2,330,578	

28. Receivables From Exchange Transactions

Description	2021/22	2020/21
	KShs	KShs
Medical services receivables	1,104,620	
Rent receivables		
Other exchange debtors		
Less: impairment allowance		
Totalreceivables	1,104,620	

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Notes to the Financial Statements (Continued)

29. Receivables From Non-Exchange Transactions

Description	2021/22	2020/21
	KShs	KShs
Transfers from the County Government		
Undisbursed donor funds		
Other debtors (<i>non-exchange transactions</i>)		
Less: impairment allowance		
Total		

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

30. Inventories

Description	2021/22	2020/21
	KShs	KShs
Pharmaceutical supplies		
Maintenance supplies		
Food supplies		
Linen and clothing supplies		
Cleaning materials supplies		
General supplies		
Less: provision for impairment of stocks		
Total		

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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
	Shs		Shs	Shs	Shs	Shs	Shs	Shs
Cost								
At 1 July 2020								
Additions								
Disposals								
Transfers/adjustments								
At 30th June 2021								
At 1 st July 2021		200,569,900				31,207,456		231,777,356
Additions					122,844	37,500		160,344
Disposals								
Transfer/adjustments								
At 30th June 2022								231,937,700
Depreciation and impairment								
At 1 July 2020								
Depreciation for the year								
Disposals								
Impairment								

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Description	Land	Buildings and Civil works	Motor vehicles	Furniture fittings and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
At30 June 2021								
At July 2021								
Depreciation								
Disposals								
Impairment								
Transfer/adjustment								
At 30th June 2022								
Net book values								
At 30 th June 2021								
At 30 th June 2022								

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Notes to the Financial Statements (Continued)

32. Intangible Assets-Software

Description	2021/22	2020/21
	KShs	KShs
Cost		
At beginning of the year		
Additions		
Additions-Internal development		
Disposal		
At end of the year		
Amortization and impairment		
At beginning of the year		
Amortization for the period		
Impairment loss		
At end of the year		
NBV		

33. Investment Property

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

34. Trade And Other Payables

Description	2021/22	2020/21
	KShs	KShs
Trade payables	7,095,496	
Employee dues	700,007	
Third-party payments (<i>unremitted payroll deductions</i>)	45,000	
Audit fee		
Doctors' fee		
Total trade and other payables	7,840,503	

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Notes to the Financial Statements (Continued)

35. Refundable Deposits from Customers/Patients

Description	2021/22	2020/21
	KShs	KShs
Medical fees paid in advance		
Credit facility deposit		
Rent deposits		
Others (<i>specify</i>)		
Totaldeposits		

36. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year				
Additional Provisions				
Provision utilised				
Change due to discount & time value for money				
Total provisions				
Current Provisions				
Non-Current Provisions				
Total Provisions				

37. Finance Lease Obligation

Description	2021/22	2020/21
	Kshs	Kshs
Current Lease obligation		
Long term lease obligation		
Total		

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Notes to the Financial Statements (Continued)

38. Deferred Income

Description	2021/22	2020/21
	KShs	KShs
Current Portion		
Non-Current Portion		
Total		

38 (a) The deferred income movement is as follows:

Description	National government	International funders/ donors	Public contributions and donations	Total
Balance b/f				
Additions during the year				
Transfers to Capital fund				
Transfers to statement of financial performance				
Other transfers (<i>Specify</i>)				
Balance C/F				

39. Borrowings

Description	2021/22	2020/21
	KShs	KShs
Balance at beginning of the period		
External borrowings during the year		
Domestic borrowings during the year		
Repayments of external borrowings during the year		
Repayments of domestic borrowings during the year		
Balance at end of the period		

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Notes to the Financial Statements (Continued)

39. (a) Breakdown of Long- And Short-Term Borrowings

Description	2021/22	2020/21
	KShs	KShs
Current Obligation		
Non-Current Obligation		
Total		

(Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed).

40. Service Concession Arrangements

Description	2021/22	2020/21
	KShs	KShs
Fair value of service concession assets recognized under PPE		
Accumulated depreciation to date		
Net carrying amount		
Service concession liability at beginning of the year		
Service concession revenue recognized		
Service concession liability at end of the year		

41. Cash Generated from Operations

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

(The total of this statement should tie to the cash flow section on net cash flows from/ used in operations)

Notes to the Financial Statements (Continued)

42. 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:

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Notes to the Financial Statements (Continued)

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2020				
Receivables from exchange transactions				
Receivables from –non-exchange transactions				
Bank balances				
Total				
At 30 June 2022				
Receivables from exchange transactions	1,104,620			
Receivables from –non-exchange transactions				
Bank balances	2,379,898			
Total	3,484,518			

(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)

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 xxxx

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.

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	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 20xx				
Trade payables				
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
Total				
At 30 June 20xx				
Trade payables			7,095,496	
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation			745,007	
Total			7,840,503	

(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.

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Notes to the Financial Statements (Continued)

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:

	KShs	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 20xx			
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.

	KShs	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 20xx			
Financial assets (investments, cash, debtors)			
Liabilities			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)			

Notes to the Financial Statements (Continued)

Foreign currency sensitivity analysis

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

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
20xx			
Euro	10%		
USD	10%		
20xx			
Euro	10%		
USD	10%		

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.

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.

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Notes to the Financial Statements (Continued)

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of financial performance if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs xxx (20xx: KShs xxx). A rate increase/decrease of 5% would result in a decrease/increase in surplus of KShs xxx (20xx – KShs xxx).

iv) Capital Risk Management

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

	2021/22	2020/21
	Kshs	Kshs
Revaluation reserve		
Retained earnings		
Capital reserve		
Total funds		
Total borrowings		
Less: cash and bank balances		
Net debt/ <i>(excess cash and cash equivalents)</i>		
Gearing		

43. Related Party Balances

Nature of related party relationships

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

Government of Kenya

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

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Notes to the Financial Statements (Continued)

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

Description	2021/22 Kshs	2020/21 Kshs
Transactions with related parties		
a) Services offered to related parties		
Services to xxx		
Sales of services to xxx		
Total		
b) Grants from the Government		
Grants from County Government		
Grants from the National Government Entities		
Donations in kind		
Total		
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees		
Payments for goods and services for xxx		
Total		
d) Key management compensation		
Directors' emoluments		
Compensation to the medical Sup		
Compensation to key management		
Total		

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Notes to the Financial Statements (Continued)

44. Segment Information

(Where an organisation operates in different geographical regions or in departments, IPSAS 18 on segmental reporting requires an entity to present segmental information of each geographic region or department to enable users understand the entity's performance and allocation of resources to different segments)

45. Contingent Liabilities

Contingent liabilities	2021/22	2020/21
	Kshs	Kshs
Court case xxx against the company		
Bank guarantees in favour of subsidiary		
Total		

(Give details)

46. Capital Commitments

Capital Commitments	2021/22	2020/21
	Kshs	Kshs
Authorised For		
Authorised And Contracted For		
Total		

(NB: Capital commitments are commitments to be carried out in the next financial year and are disclosed in accordance with IPSAS 17. Capital commitments may be those that have been authorised by the board but at the end of the year had not been contracted or those already contracted for and ongoing)

47. Events After The Reporting Period

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

48. Ultimate And Holding Entity

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

49. Currency

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

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XIX. 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.

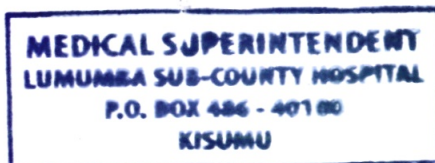
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

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.

.....
[Signature]
Accounting Officer

(To be signed by the accounting officer of the Hospital)



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)

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

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APPENDIX IV: 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 2022 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by [Insert name of beneficiary entity] as at 30 th June 2022							
Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (KShs) as at 30th June 2022				Amount Received by [beneficiary entity] (KShs) as at 30 th June 2021 (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 Accountants department of beneficiary entity:

Name Sign Date.....

APPENDIX V Reporting of Climate Relevant Expenditures

Name of the Organization

Telephone Number

Email Address

Name of Medical Supp/MD/Head

Name and contact details of contact person (in case of any clarifications)

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

APPENDIX VI Disaster Expenditure Reporting Template

Date:						
Entity						
Period to which this report refers (FY)	Year			Quarter		
Name of Reporting Officer						
Contact details of the reporting officer:	Email			Telephone		
Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments