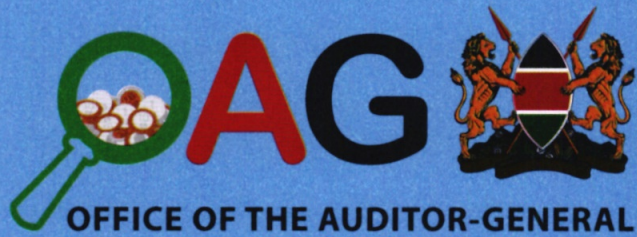
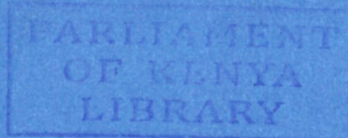


REPUBLIC OF KENYA



Enhancing Accountability

REPORT



OF

19/07/2024
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Carolyn Cheep

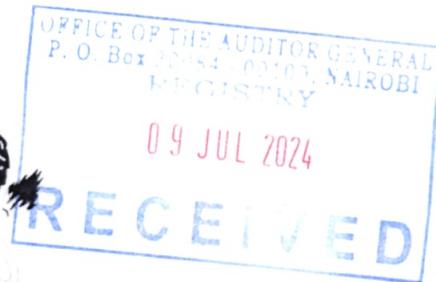
THE AUDITOR-GENERAL

ON

GILGIL SUB-COUNTY HOSPITAL

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

COUNTY GOVERNMENT OF NAKURU



**GILGIL SUB COUNTY HOSPITAL Level 4
HOSPITAL
(Nakuru 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)

Annual Report and Financial Statements for The Year Ended 30th June 2022

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Annual Report and Financial Statements for The Year Ended 30th June 2022

1. Key Entity Information and Management

(a) Background information

Gilgil Sub County Hospital is a level 4 hospital established under gazette notice number Vol. CXXIII-157 of 30th July 2021 and is domiciled in Nakuru County. The hospital is governed by a Board of Management.

(b) Principal Activities

The principal activity/mission/ mandate of the *Gilgil Sub County Hospital* is to optimize patient experience through innovative, evidence-based health care, facilitate training and research, and participate in County and National health policy implementation.

(c) Key Management

Gilgil Subcounty Hospital day-to-day management is under the following key organs:

- County department of health
- Hospital Management Committee
- Medical Superintendent
- Heads of Departments

(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.	Hospital Medical Superintendent	Dr. David Kuria
2.	Sub County Accountant	Mr. Dominic Sigei
3.	Hospital Administrator	Mr. Solomon Wachira Mwai
4.	Nursing Officer in Charge	Hannah Komu
5.	Pharmacist	Dr. Anastacia Njoroge
6.	Hospital Accountant	Priscillar Kiplagat

(e) Fiduciary Oversight Arrangements

Human resource:

The hospital management committee through the Human Resource Advisory Committee rationalizes staff distribution to the various departments, assesses staff training needs, and also requests additional staff from the Public Service Board through the Department of Health Services. Staff performance is standardized through pre-set targets at the beginning of each financial year. Quarterly monitoring of achievements informs how the staff are performing, and where necessary, the targets are varied to suit the resources and circumstances under which the staff are acting. Disciplinary cases are handled as stipulated in the Disciplinary Manual for The Public Service of May 2016.

Financial management:

Annual Report and Financial Statements for The Year Ended 30th June 2022

Key Entity Information and Management(continued)

The HMT sets revenue targets at the beginning of the financial year. The performance is reviewed every month, the policy being 100% banking. At the end of every quarter, the departmental heads forward their proposals to the Executive Expenditure Committee, which in turn drafts a proposed budget which is discussed by the HMT. The proposed budget is then presented to the Finance Subcommittee of the Hospital Board. The Finance Subcommittee then presents the budget to the Hospital Board. Request for the AIE is then sent to the Chief Officer of Health Services. Once the AIE is acquired, the departmental heads raise requisitions which go through the procurement department. A voucher is eventually raised and payment is done as per the requirements. At the quarterly Budget meeting, the expenditure is presented. Exemptions and waivers are done as per the circulars and guidelines.

Service Charters

In order to serve our clients well, the hospital service charter is displayed at the entrance of the hospital. Departmental service charters also explain what service we offer, the cost of each service, and the approximate time that the service consumes. Our telephone number is displayed at various service delivery points so that clients can make inquiries with ease. Suggestion boxes are also displayed. The quality-of-care committee then goes through these in order to act accordingly. A complaint book is domiciled at the HAO's office where details of complaints, contacts of the complainant, and actions taken are entered.

Hospital committees

Other than the committees mentioned above, other committees that ensure quality of service are shown below:

Committee	Function	Remarks
MPDSR	Reviews perinatal deaths and maternal deaths reported in the hospital	Meets monthly
MTC (Medicines and Therapeutics Committee)	Ensures that treatment of patients is as per current, evidence-based protocols and that any drug reactions are reported	Meets monthly
Mortality committee	Reviews all mortalities in the hospital	Meets quarterly
IPC (Infection Prevention Committee)	This is mandated with ensuring the infection prevention protocols are in place and are followed.	Meets quarterly

We don't have an Audit committee, but internal auditors are dispatched from the County Chief of Finance's office regularly. A Staff welfare committee mainly takes care of bereavements. We also organize quarterly debriefing sessions to take care of burnout. We invite external facilitators who assist in the process. No county Assembly committee(s) or Parliamentary committees visited our hospital in this financial year. The hospital management committee provides oversight.

Key Entity Information and Management(continued)

(f) Entity Headquarters

P.O. Box 129-2116,
Gilgil- Nyahururu Road/Highway
GILGIL, KENYA

(g) Entity Contacts

Telephone: (254) 721660530
E-mail: gilgil.hospital@yahoo.com
Website: www.gilgilhospital.go.ke

(h) Entity Bankers

Kenya Commercial Bank
P. O Box 2016,
GILGIL.

(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. 2870-20100
Nakuru, Kenya

2. The Board of Management







Directors		Details
	<p>Mr. Simon Gaitho Kimani, Chairman</p>	<p>Aged 32 years, Mr Simon is a holder of Bachelor in criminology and security management. He is also a representative in the Gilgil lands Board and the secretary of the Nakuru County Bursary Committee.</p>
	<p>Elizabeth Wairimu, Member</p>	<p>Elizabeth Wairimu, aged 56 yrs, is a holder of ...Diploma in Early child Development.... she is the Chairperson of the Environment and Infrastructure Subcommittee of the Board.</p>
	<p>Joseph Kiruba, Member</p>	<p>Joseph Kiruba, aged 57 yrs old, Currently he is the Chairman of the Finance Subcommittee of the Board.</p>
	<p>Abdirazak And Ali, Member</p>	<p>Aged 29 yrs, Abdirazak is a holder of a Bachelor's degree of Science in Applied Statistics with Computation. From 2018 to 2020, he worked with the Kenya National Bureau of Statistics. Currently he is the Chairman of the Service Delivery Subcommittee of the Board.</p>
	<p>Jackson Letoya Ole Musei, Member</p>	<p>Jackson is 45 years old and a holder of a Diploma in Business management and administration.</p>

Gilgil Sub County Hospital Level 4 Hospital
(Nakuru County Government)

Annual Report and Financial Statements for The Year Ended 30th June 2022







<p>Dr. David Kuria Samson, Secretary</p> 	<p>Dr. David Kuria Samson, aged 56 years old, is a holder of a Bachelor's degree in Medicine and Surgery from the University of Nairobi. He has 27 yrs experience in medical practice, 18 of which he has been in various health administrative roles. He has done many in-service courses, including Diploma in Business Management and SLDP. He is the Medical Superintendent and the Secretary to the Board.</p>
<p>Esther Wakahora</p> 	<p>At 50 years of age, Esther is a holder of a Diploma in Environmental Health Sciences, with 30 years of experience in the field. She doubles up as the Subcounty Public Health Officer and also the ward PHO.</p>

3. Management Team

4. Management	Details
 Dr. David Kuria Samson, Medical Specialist (2)	Medical Superintendent, chairman of the HMT
 Nancy Ndirangu	Nursing Officer In-charge, Secretary to the HMT
 Loise	Deputy Nursing Officer in-charge, also in charge of Continuous Medical Education
 Mirriam Osoro,	Ward nursing Officer in Charge, Ward 5
 Ann W. Gichane, Diploma in Nutrition Diatetics	Hospital Nutritionist, also in charge of the Diabetes type 1 group.
 Kennedy Wainanina, Diploma in Health Records Information	Health Records and Information, In charge of HMIS
Judy Wachira	Theatre in -charge



Gilgil Sub County Hospital Level 4 Hospital
(Nakuru County Government)

Annual Report and Financial Statements for The Year Ended 30th June 2022

	
<p>Dr Anastasia Nduta</p> 	<p>Pharmacist in-charge</p>
<p>Esther Mwaura, Higher Diploma in Kenya Registered Midwifely</p> 	<p>Nurse in-charge, Maternity ward</p>
<p>Dr Ambrose Munyao, Bachelor of Dental Surgery</p> 	<p>Dental surgeon, head of the dental department</p>
<p>Duke Mokaya, Diploma in orthopaedic Technology</p> 	<p>In charge, orthopaedic and Trauma Department</p>
<p>Simon Kibe, Chief radiographer</p> 	<p>In charge of the Imaging department</p>
<p>Peter Kariuki, Chief Medical Laboratory Technologist</p>	<p>Officer in charge, Laboratory department</p>

Gilgil Sub County Hospital Level 4 Hospital
(Nakuru County Government)

Annual Report and Financial Statements for The Year Ended 30th June 2022

		
Peter Kariuki		Laboratory In charge
		
CPA Priscillar Kiplagat Bachelor degree in Finance CPAK		Hospital Head of Accounting unit

4. CHAIRMAN'S STATEMENT

It is my pleasure to present the Hospital's 2021/2022 annual report and Financial Statement. The Hospital Management Board is proud of the achievements realized by the hospital in this period towards offering patient-centred Level IV Hospital services. I am particularly impressed by the commitment of the staff coupled with their commitment to delivering the best possible quality of care to the patients. These services include Medical Consultations, mother-child health, Dental Clinic, Psychiatric outpatient and in-patient care, GOPC, MOPC, SOPC, Maternity services, and Theatre Services among others. Regulatory environment Management and operations of the hospital is guided by the existing legal, policy, and institutional frameworks that govern the health sector to ensure efficient and effective delivery of services in the Hospital. The Kenyan Constitution 2010 under the Bill of Rights provides the right to the highest attainable standard of health including reproductive health care and emergency medical treatment as stipulated by the County government health systems, and provides for regulation of health care services and health care service providers, health products and health technologies. The hospital has continued to experience challenges and a changing business environment which calls for continuous improvement of the quality of services to the customers. In response to this, the Board remains focused on providing resources and supporting initiatives that will sustain Gilgil Sub County Hospital in a leadership position in the healthcare sector.

On behalf of the Board, I would like to thank all our stakeholders especially County Government of Nakuru and development partners for the support they continue to accord the hospital without which our achievements would not have been realized. As we move into a new year, I would like to express my gratitude to Gilgil Hospital staff, specialists, team leaders and the Board, who take such pride in their work, and who exemplify our hospital's mission and values each day. Finally, I strongly believe that our strategy and the staff in place will consistently drive our growth in the future as has been the case over the years.

5. REPORT OF THE MEDICAL SUPERINTENDENT

I am pleased to present the Hospital's annual report and financial statements for the year 2021/2022. The report highlights the hospital's operational and financial performance as well as our strategic direction. The hospital provides healthcare services as expected for a level four facility. To meet our patient's needs, we have medical personnel in all who ensure our customers receive safe, timely, equitable, efficient, effective and patient-centred services. In 2021/2022 the hospital attended to 491,117 visits and admissions, of whom 80,000 were inpatients. This was an increase of 5% inpatients and 13% inpatients attendance in comparison to the previous financial year.

Centres of excellence

The hospital established centres of excellence in the following areas: Psychiatry, Radiology and laboratory services. The centres of excellence will also provide one-stop services for the increasing cases of diseases referred.

Embracing Technology to Advance Patient Care

The use of ICT is a priority for Gilgil Hospital as reflected in Kenya's ICT Master Plan and need to automate systems to enhance efficiency in services delivery. Towards this, the hospital carried out a

business reengineering with the view of aligning all hospital processes in readiness for automation. This process culminated in the development of specifications for robust hospital information management system and corresponding enterprise resource planning (ERP) systems. In view of the above, Gilgil Hospital embarked on the installation of Med smart Hospital solution for efficient service delivery. Through the Medicines and Therapeutic Committee, the hospital also developed protocols SOPs, and guidelines for patient management.

Effective Communication

Gilgil Hospital is putting great emphasis on the improvement of communication with our patients, their families, and other stakeholders in an effective and timely manner. To this end, we have continued to train our employees on customer care and effective communication while upholding the highest standards of care. We have strengthened customer care services and process improvement with a view to enhancing patient-caregiver engagement.

Financial Review.

In order to meet the cost of operations and maintenance, the hospital relies on internally generated revenue, the largest component being cost-sharing revenue. During the year under review, the hospital generated Kshs. 59 million against a target of Kshs. 64 Million. This is a growth of 18% over and above the previous year's internally generated revenue. Despite the growth in revenue, the Hospital recorded a deficit of Kshs. 18.5 million in the year under review. The performance deficit is attributed to increase in medical costs. During the year under review, the outstanding NHIF increased for which the hospital used internally generated funds to bridge and consequently, this has continued to adversely affect the financial sustainability.

Acknowledgment

Thousands of patients served are a living testament to the care, love and support offered every day by the outstanding commitment of our staff. We are grateful to our stakeholders and sponsors for their kindness, compassion, support, dedication and contributions to Gilgil Sub County Hospital.

6. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED TARGETS

Gilgil subcounty hospital has six strategic pillars as spelt out by WHO current Strategic Plan for the FY 2021- FY 2022. These strategic pillars:

1. Leadership and governance. The Hospital management committee holds one scheduled meeting per quarter, unless more frequent meetings are occasioned by need. The subcommittees meet once per quarter too. In the financial year 2021/022, the committee and the sub-committees met as per the schedule. Among the achievements made during the financial year include but are not limited to: oversight during the budgeting process, preparation and presentation of proposals to partners to support renovations of the hospital, and deliberations on the environmental sustainability and improvement of service delivery.

2. Service delivery. The Gilgil Subcounty Hospital achieved her mandate of providing preventive, promotive, rehabilitative and curative services to its catchment population. This is as evidenced in the KHIS data in comparison to the targets set at the beginning of the financial year.
3. Health system financing. The Gilgil Subcounty Hospital derived its entire financing from the FIF. The budgeting cycle was utilized to acquire AIEs from the Chief Officer of Health's office so as to support operations on the hospital. Expenditure guidelines were adhered to as spelt out in the PFM act.
4. Health workforce. The hospital operated with a thin workforce that is far from the KEPH recommendations. It hired contracted staff on a competitive basis in order to mitigate staff shortage.
5. Medical products, vaccines and technologies. There was a constant supply of HPTs throughout the year, with occasional short-lived outages around the procurement cycles.
6. Health information systems. Our HMIS was robust, with accurate reporting and timely uploads for onward transmission to the HIS. The EMR still needs to hve some modules activated by the developer in order to improve consumer experience.

Gilgil subcounty Hospital develops its annual work plans based on the above six pillars building blocks. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Gilgil Sub County Hospital achieved its performance targets set for the FY 2021/20222 period for its Health strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Leadership and governance	Hold 4 management meetings	Minutes	deliberations	4
Service delivery	Provide preventive, promotive, rehabilitative and curative services	Numbers of clients attended to	As per the guidelines	HIS data uploaded
Health system financing	100% utilization of	Financial statements	Reports preparation	100%

	allocated funds			
Health workforce	Appraise all staff	Appraisal forms	Appraise as per targets	Done
HPTs	Timely procurement of HPTs	Bin cards	Procure S PER THE PHARMACIST'S ORDERS	Done
HMIS	Proper and timely reporting	12 monthly reports uploaded	Report summaries	done

7. CORPORATE GOVERNANCE STATEMENT

Introduction

Commitment to good corporate governance is fundamental in ensuring sustainable stakeholder value and meeting their expectations. Our structures, procedures and processes are anchored on accountability, transparency, responsibility and fairness which are the tenets of good corporate governance. Through the Board of Management, Gilgil Sub County Hospital remains steadfast in complying with statutory requirements and the Code of Governance for State Corporations (Mwongozo Code 2015) among others.

The roles and responsibilities of the Board as set out in the Board Charter include:

- i) Establishing the Hospital's strategic direction and priorities, and adopting business plans proposed by management for the achievement of the strategic objectives
- ii) Monitoring and evaluating the implementation of strategies, policies, management performance criteria and business plans.
- iii) Providing oversight in financial reporting to the Government and communication to stakeholders.
- iv) Ensuring the availability of adequate resources for the achievement of the Hospital's objectives.
- vii) Overseeing business affairs of the Hospital in light of emerging risks and opportunities.
- ix) Approving annual budgets.

The Board provides oversight to Management and ensures that staff operates within the Code of Conduct and Ethics, Leadership Integrity Act, and the "Mwongozo" Code of Governance for State Corporations.

8. MANAGEMENT DISCUSSION AND ANALYSIS

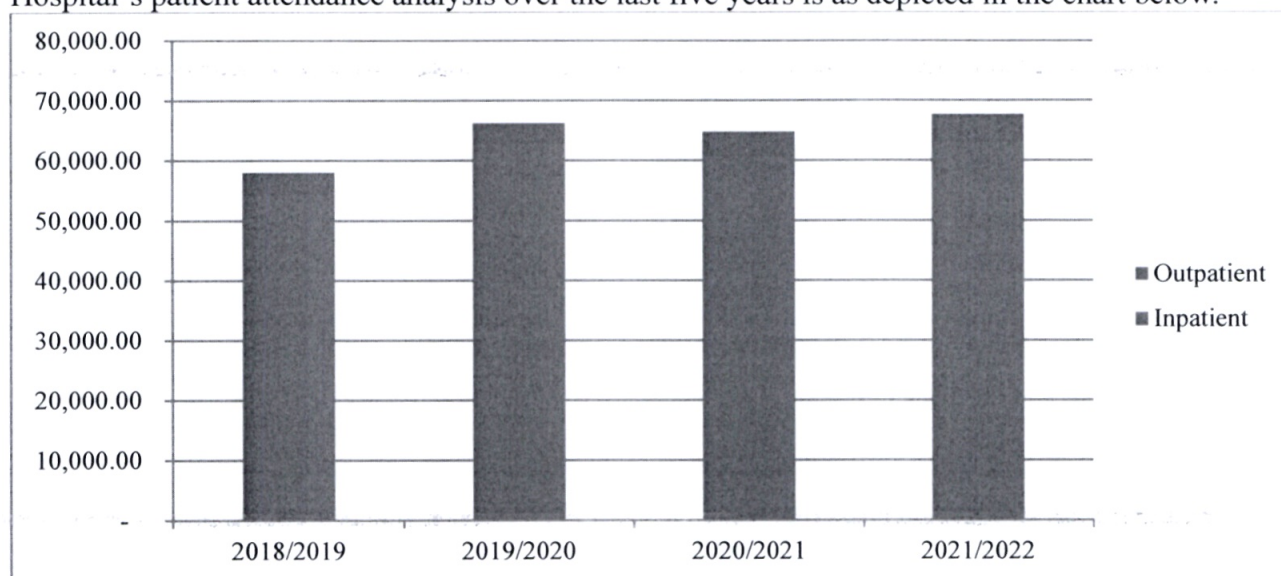
Clinical

Gilgil Sub County Hospital continues to provide a wide range of healthcare services to Kenyans, especially in Gilgil Sub County, and the neighboring Narok and Nyandarua Counties. Services include GOPC, MOPC, MCH, Eye Clinic, SOPC, Dental clinic and other services. The hospital also provides clinical support services that include, laboratory, pharmacy and radiology, and strives to ensure that the clinical services provided are safe, timely, appropriate, innovative, effective, evidence-based and in line with modern technological advances. Clinical governance continues to be strengthened to improve patient safety and ensure quality healthcare. The hospital patient attendance continues to increase despite the many challenges i.e. budgetary constraints and frequent industrial actions.

Performance

Overall patient attendance

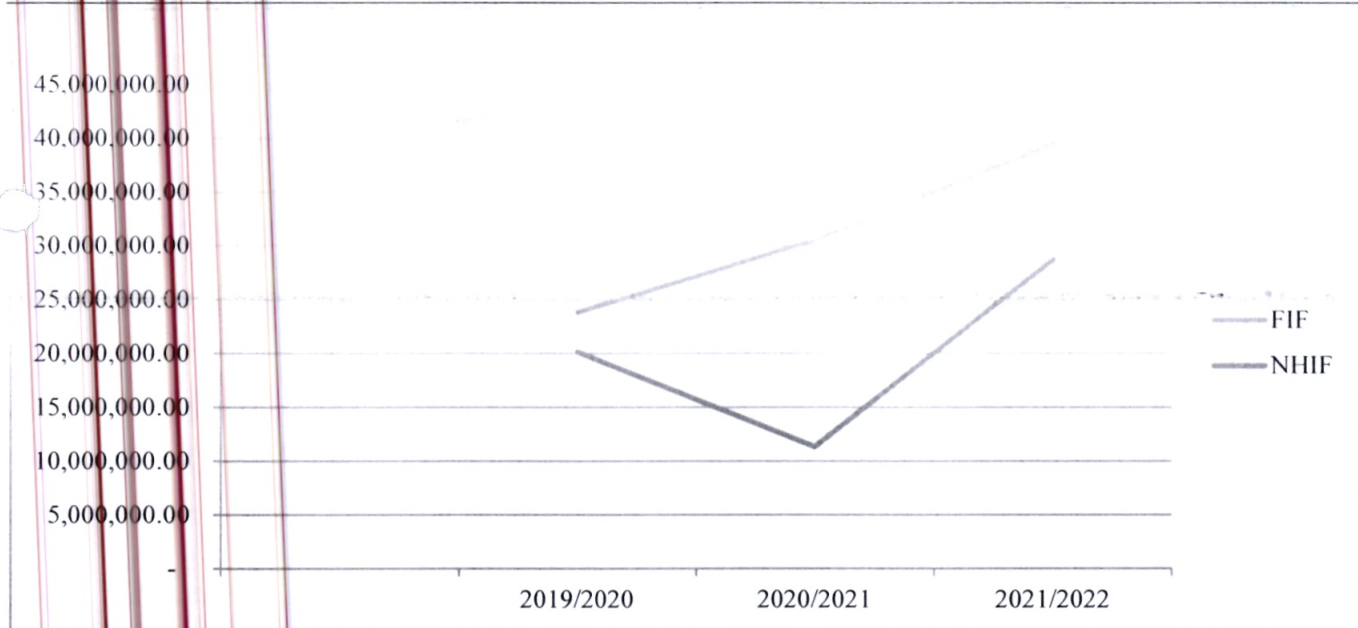
The average patient attendance for the year 2021/2022 was 63,072 outpatients and 4,634 inpatients. The Hospital's patient attendance analysis over the last five years is as depicted in the chart below.



Fairly constant with a small decline during the Corona Period.

Financial performance

The Hospital revenue comprises of fee charged for services rendered, public contributions and donations. The sources of revenue for the year under review and the trend over the last three years are as depicted in the charts below Sources of revenue, revenue trend. The total internally generated revenue FY 2021/2022 was Sh. 39,473,632 while NHIF reimbursements was Sh. 28,709,013.



From the line graph above, there has been growth in both NHIF and internally generated revenues.

Key Hospital Projects

Digital x ray Machine

The hospital undertook the installation of Digital X ray machine to improve patient's investigations.

Challenges

The hospital is faced with numerous challenges in fulfilling its mandate:

i. Automation

In a bid to ensure that Gilgil Sub County Hospital provides efficient and effective services as well as provide the desired platform for clinical linkages with other hospital departments, a business process re-engineering should be carried out so that the development of specifications aimed at delivering a robust ICT platform for ease of patient flow.

ii. Underprivileged and indigent medical bills

Most of the patients treated at Gilgil Sub County Hospital are either from the informal sector or unemployed. Upon clinical discharge, some are unable to settle medical bills. They are released from the hospital on a commitment to settle their bills in the future on unsecured credit. The political class play a very big role in ensuring that these bills are paid.

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

- i) **Sustainability strategy and profile.** Gilgil Subcounty Hospital is committed to fulfil its mandate of offering affordable, acceptable, scientifically-proven preventive, promotive, rehabilitative and curative health care services to its catchment population and beyond. Through the six building blocks, it will offer cohort-specific interventions. As a going concern, the hospital will sustain itself through prudent revenue collection strategies, good governance, and compliance to the law governing procurements. We intend to popularize our services through health talks, public participation fora, through social media platforms and issuance of brochures that summarize our services. We hope to see more insured clients, and schools that chose our

services because of value addition. We truly hope that the County Government of Nakuru will take over the role of employing the human workforce so that the hospital can use its revenue to perform its core mandate.

- ii) **Environmental performance.** The Gilgil Subcounty Hospital is guided by the Kenya Essential Package for Health (KEPH) norms and standards. The Health Act 2017, Mental Health Act 2022, the data protection act 2019 (among others) will continue guiding our environment to ensure that the workplace will be safe both for the staff and the clientele. We will continue to mitigate climate change through proper environmental sustenance, proper incineration and burial of hazardous waste.
- iii) **Employee welfare.** Our staff are hired through the County Public Service board. They are posted to the hospital for assignment of duties. The hospital also has general workers whose main task is to maintain a clean hospital environment, and provide basic services. A policy on safety and compliance with OSHA Act 2007 was not in place.
- iv) **Marketplace practices.**
 - a) **Responsible competition practice.** Gilgil Subcounty Hospital uses signages to direct potential clients to our hospital. We also rely on the snowball effect and hope that our satisfied clients will tell others about us. We do not engage in active advertising, mudslinging, or any other way to belittle, or malign any potential competitors. Our staff do not “poach” clients to private institutions, and we do not charge our clients directly. All monies are deposited directly into the hospital account.
 - b) **Responsible supply chain and supplier relations.** Gilgil Subcounty Hospital maintains a cordial relation with her suppliers, both current and past suppliers. We endeavour to reduce our debts equitably across the board. We endeavour to pay our current suppliers, and are ready and willing to call them and explain any challenges we might be facing concerning their past debts.
 - c) **Responsible marketing and advertisement.** We do not advertise our services, as outlined in a) above.
 - d) **Product stewardship.** Our clients’ rights and interests are safeguarded through the citizen’s charters. In this, the responsibility of the clients, and the expectations of the institution, are spelt out. Thorough history is taken to ensure that our interventions do no harm. Strict adherence to the code of ethics and each cadres’ TOR ensure that no staff gives a service for which they are not trained. Clients who request second opinions are never victimized.
 - e) **Corporate social responsibility.** Gilgil Sub County Hospital seeks to impact people’s lives through its Corporate Social Responsibility (CSR) initiatives. The initiatives are aimed at improving lives and enhance engagement with the public. Central to this philosophy is the commitment to enhance the quality of life of people from marginalised and vulnerable communities, by empowering them and catalysing change through creating awareness on diseases and available interventions. The services provided are MCH talks, psychiatric trainings in schools and other educational institutions and outreaches.

10. REPORT OF THE HOSPITAL MANAGEMENT COMMITTEE

The Board members submit their report together with the audited financial statements for the year ended June 30th, 2022 which show the state of the *Gilgil Sub County Hospital* affairs.

Principal activities

The principal activities of the entity are to offer preventive, promotive, rehabilitative and curative health care services

Results

The results of the entity for the year ended June 30th, 2022 are set out from page 22 to 44

Hospital committee

The members of the Board who served during the year are shown on page vii-viii. During the year 2021/2022, a new Hospital Management Committee was appointed that is in place to date.

Auditors

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

By Order of the Board

Secretary to the HMC

Name:

Signature:

11. STATEMENT OF THE HOSPITAL MANAGEMENT COMMITTEE RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and Health Act 2017 require the Board of Management to prepare financial statements in respect of Gilgil Subcounty Hospital, which give a true and fair view of the state of affairs of the Gilgil Subcounty Hospital at the end of the financial year/period and the operating results of the Gilgil Subcounty Hospital for that year/period. The Board of Management is also required to ensure that the Gilgil Subcounty Hospital keeps proper accounting records which disclose with reasonable accuracy the financial position of the Gilgil Subcounty Hospital. The council members are also responsible for safeguarding the assets of the Gilgil Subcounty Hospital. The members are responsible for the preparation and presentation of the Gilgil Subcounty Hospital financial statements, which give a true and fair view of the state of affairs of Gilgil Subcounty Hospital 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 *Gilgil Sub County Hospital*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

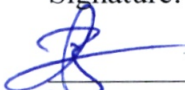
The members accept responsibility for Gilgil Subcounty Hospital financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner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

Nothing has come to the attention of the council members to indicate that Gilgil Subcounty Hospital will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

Gilgil Subcounty Hospital financial statements were approved by the HMC on 05/06/24 2022₄ and signed on its behalf by:

Signature:



Name: Simon GATHU

Signature:



Name: Dr. Kuma

HMC Chairperson

Accounting Officer

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
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 GILGIL SUB-COUNTY HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2022 - COUNTY GOVERNMENT OF NAKURU

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Gilgil Sub-County Hospital - County Government of Nakuru set out on pages 22 to 44, 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 the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

Basis for Qualified Opinion

1. Inaccuracies in the Annual Report and Financial Statements

Review of the Hospital financial statements revealed the following inaccuracies;

- i. Included in the statement of budget and actual amounts is actual revenue and actual expenditure on comparable basis of Kshs.69,017,590 and Kshs.85,860,270 that are not in agreement with the balances reported in the statement of financial performance of Kshs.77,877,094 and Kshs.59,701,045 respectively. However, Management did not provide a reconciliation to support the variances.
- ii. The statement of financial position has been incorrectly labelled as of 30 June, 2022 instead of as at 30 June, 2022.
- iii. Included in Note 22 under cash generated from operations is increase in receivables of Kshs.1,342,129 while the statement of financial position reflects a Nil increase in receivables.
- iv. A disclosure on Board of Management on page vii does not indicate key professional/academic qualifications of board members except for the medical superintendent.

In the circumstances, the financial statements were not prepared in accordance with the format prescribed by the Public Sector Accounting Standards Board.

2. Unsupported Revenue

The statement of financial performance reflects revenue from exchange transactions amount of Kshs.40,287,029 which includes rendering of services - medical service income of Kshs.40,189,739 as disclosed in Note 9 to the financial statements. However, this amount was not supported by a breakdown of patient bills raised by the Hospital during the year under review.

In the circumstances, the accuracy and completeness of rendering of services – medical service income amount of Kshs.40,189,739 could not be confirmed.

3. Non-Disclosure of Plant, Property and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.17,503,712 as disclosed in Note 19 to the financial statements. The balance excludes the value of land, building and civil works, motor vehicles, furniture, fittings and office equipment and ICT equipment. However, physical inspection revealed existence of land, buildings, furniture, hospital beds, computers and other electronic equipment of undetermined value. Further, Management did not maintain an asset register.

In the circumstances, the accuracy, valuation and completeness of property, plant and equipment balance of Kshs.17,503,712 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Gilgil Sub-County Hospital Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

Long Outstanding Trade Payables

The statement of financial position reflects trade and other payables balance of Kshs.40,203,624 as disclosed in Note 21 to the financial statements. However, according to trade payables ageing analysis and review of Local Purchase Orders (LPOs), delivery notes, invoices and requisition forms, trade payables balance totalling Kshs.36,182,298 had remained outstanding for over two years with some payables dating back to the year 2007.

Failure to settle bills during the year to which they relate adversely affects the budgetary provisions for the subsequent year as they form a first charge.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness

and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Failure to Prepare a Separate Annual Procurement Plan

It was noted that Management prepared a procurement plan covering two financial years 2021/2022 and 2022/2023. This was contrary to Regulation 40(1) of the Public Procurement and Asset Disposal Regulations, 2020 which requires a procuring entity to prepare a procurement plan for each financial year as part of the annual budget preparation process.

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

2. Failure to Remit Statutory Deductions

The statement of financial performance reflects employee costs amount of Kshs.11,804,593 as disclosed in Note 13 to the financial statements, which relate to casual wages. However, included was an amount of Kshs.1,614,200 paid to the beneficiaries without deducting mandatory contributions to National Social Security Fund (NSSF) and National Health Insurance Fund (NHIF) contrary to the provisions of Section 6 (1) of the NSSF (Member Contributions) Regulations, 2014 requires that an employer shall pay contributions to the Pension Fund in respect of each employee in his or her employment as prescribed in Section 20 of the Act and Section 16 (1) of the National Hospital Insurance Fund Act, 2012 provides that a person liable to pay a standard contribution under Section 15 shall pay such contribution through monthly deductions from his salary or other remuneration and the employer of such person shall be liable to deduct and to pay the contribution to the Board on behalf of and to the exclusion of that person.

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

3. Irregular Procurement of Goods

The statement of financial performance reflects general expenses amounting to Kshs.10,219,533 as disclosed in Note 16 to the financial statements. Review of supporting documentation revealed that local purchase orders worth Kshs.1,328,860 were issued to suppliers after the goods had been delivered and recorded in the stores. This was contrary to Section 69 (2) of the Public Procurement and Asset Disposal Act, 2015 which states that no procurement approval shall be made to operate retrospectively to any date earlier than the date on which it is made except on procurements in response to an urgent need.

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

4. Irregular Low Value Procurement Purchases

During the year under review, the Hospital incurred an amount of Kshs.2,443,695 on various expenditure items paid in cash. However, the expenditure items were above the low value procurement threshold limit of Kshs.50,000 outlined in the Second Schedule of the Public Procurement and Asset Disposal Regulations, 2020.

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

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

Review of services offered, equipment used and number of members of staff 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 in terms of staff and equipment as analyzed in the table below:

Personnel	Level 4 Standard	Current Number	Variance
Medical Officers	16	5	11
Clinical Officers	30	14	16
BSN Nurse	40	2	38
Kenya Registered Midwife/KRN	10	3	7
Registered Community Health Nurses	75	28	53

Further, the facility had deficits in services and equipment as indicated in the table below:

Item	Level 4 Standard	Current Number	Variance
Functional ICU Beds	6	0	6
Functional HDU Beds	6	0	6

In the circumstances, the deficiencies contravened the First Schedule of Health Act, 2017 and hence the Hospital may not be in the position to offer effective health services to the residents.

6. Lack of Approved Tariff Structure for Hospital Services

The statement of financial performance reflects rendering of services - medical service income of Kshs.40,189,739 being revenue generated from the various services offered by the Hospital as disclosed in Note 9 to the financial statements. However, the Hospital did not have in place an approved tariff structure contrary to Regulation 65 (1) of the Public Finance Management (County Governments) Regulations, 2015 which requires an accounting officer to obtain from the county treasury approval for the proposed tariff structure. In addition, it was noted that the Hospital did not charge children below five years. However, a register of exemptions was not maintained contrary to Regulation 65 (3) of the Public Finance Management (County Governments) Regulations, 2015 which

requires information on exemptions, discounts, free services and any other aspect of material influence on the revenue yield be disclosed on the annual report.

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

7. Unbalanced Budget

The statement of comparison of budget and actual amounts reflects total revenue budget of Kshs.69,017,590 and total expenditure budget of Kshs.85,860,270 resulting to a budget deficit of Kshs.16,812,680. This is contrary to Regulation 31(c) of the Public Finance Management (County Governments) Regulations, 2015 on budget guidelines which provides that at all times during budget formulation and approval, budgeted revenue and expenditure appropriations shall be balanced.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Weak Controls on Revenue Billing and Collection

The statement of financial performance reflects rendering of services – medical service income amount of Kshs.40,189,739. However, review of the facility's monthly service workload report indicated that sixteen (16) inpatients absconded from the Hospital before paying their hospital bills. The patients had accumulated hospital bills which could not be quantified because patients are billed upon discharge. This was contrary to Regulation 132(1)(a) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer of a County Government entity shall take full responsibility and ensure that proper control systems exist for assets and that preventative mechanisms are in place to eliminate theft, security threats, losses, wastage and misuse.

In the circumstances, the effectiveness of internal controls on revenue billing and collection could not be confirmed.

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

Responsibilities of Management and Board of Management

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with

Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance review is planned and performed to express a conclusion with limited assurance as to 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 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. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

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

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

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

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

08 July, 2024

Gilgil Sub County Hospital Level 4 Hospital
Annual Report and Financial Statements for The Year Ended 30th June 2022

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

Description	Notes	2021/22
		Kshs
Revenue from non-exchange transactions		
In- kind contributions from the County Government	6	13,025,515
Transfers from other Government entities	7	24,544,550
Public contributions and donations	8	20,000
		37,590,065
Revenue from exchange transactions		
Rendering of services- Medical Service Income	9	40,189,739
Revenue from rent of facilities	10	80,890
Other income Sale of goods	11	16,400.00
Revenue from exchange transactions		40,287,029
Total revenue		77,877,094
Expenses		
Medical/Clinical costs	12	30,525,254
Employee costs	13	11,804,593
Board of Management Expenses	14	1,229,523
Depreciation and amortization expense	20	-
Repairs and maintenance	15	5,922,144
General expenses	16	10,219,533
Total expenses		59,701,047
Net Surplus for the year		18,176,047

The Hospital's financial statements were approved by the Board on 05/06/2024 and signed on its behalf by:

Simon Githiro

Name: *[Signature]*

Chairman
Board of Management
5/06/24

PRISCILLA KIPKACHU

Name:

Head of Finance *[Signature]*
ICPAK No: *24093*

[Signature]

Name: *Dr. Mwangi*

Medical Superintendent

14. Statement of Financial Position as of 30th June 2022

Description	Notes	2021/22
		Kshs
Assets		
Current assets		
Cash and cash equivalents	17	15,006,257
Inventories	18	23,369,702
Total Current Assets		38,375,959
Non-current assets		
Property, plant, and equipment	19	17,503,712
Intangible assets	20	2,500,000
Total Non-current Assets		20,003,712
Total assets		58,379,671
Liabilities		
Trade and other payables	21	40,203,624
Total Liabilities		40,203,624
Net assets		18,176,047
Accumulated surplus/Deficit		18,176,047
Total Net Assets and Liabilities		18,176,047

(The notes set out on pages 27 to 44 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 05/06/2024 and signed on its behalf by:

Simon GATHA
Name:

PASCILAR KIPICAT
Name:

[Signature]
Name: A. Kuma

Chairman [Signature]
Board of Management
5/6/24

Head of Finance [Signature] Medical Superintendent
ICPAK No: 24093

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


Gilgil Sub County Hospital Level 4 Hospital
Annual Report and Financial Statements for The Year Ended 30th June 2022

	Accumulated surplus/Deficit
Surplus/(deficit) for the year	18,176,047
At June 30, 2022	18,176,047

The Hospital's financial statements were approved by the Board on 05/06/2024 and signed on its behalf by:

.....
Name:

PASCILLAR KIPACAT
Name:


.....
Name:
Dr. Kuni

Chairman
Board of Management

Head of Finance JH **Medical Superintendent**
ICPAK No: 24093

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

Description		2021/22
	Note	Kshs
Cash flows from operating activities		
Receipts		
In kind contribution from County Government	6	13,025,515.
Transfers from other Government entities	7	24,544,550
Public contributions and donations	8	20,000
Rendering of services- Medical Service Income	9	40,189,739
Revenue from rent of facilities	10	80,890
Other receipts-Sale of Goods	11	16,400
Total Receipts		77,877,094
Payments		
Medical/Clinical costs	12	30,525,254
Employee costs	13	11,804,593
Board of Management Expenses	14	1,229,523
Repairs and maintenance	15	5,922,144
General expenses	16	10,219,533
Total Payments		59,701,045
Net cash flows from operating activities		18,176,049
Cash flows from investing activities		
Purchase of property, plant, equipment, & intangible assets----		20,003,712
-	19	
Net cash flows used in financing activities		-
Net increase/(decrease) in cash and cash equivalents		7,836,067
Cash and cash equivalents at 1 July	22	7,170,190
Cash and cash equivalents at 30 July	17	15,006,257

The notes set out on pages 27 to 44 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 05/06/2024 and signed on its behalf by:

Simsa Githu
Name: [Signature]

PAUSILLAR KIPACAT
Name: _____

[Signature]
Name: _____

**Chairman
Board of Management**

Head of Finance [Signature] **Medical Superintendent**
ICPAK No: 24093

Gilgil Sub County Hospital Level 4 Hospital
Annual Report and Financial Statements for The Year Ended 30th June 2022

17. Statement of Comparison of Budget and Actual Amounts for The Year Ended 30 June 2022.

	Original budget	Final budget	Actual on comparable basis
	2021-2022	2021-2022	2021-2022
	Kshs	Kshs	Kshs
Revenue			
Transfers from the County Government	-	-	-
In kind contributions from the County Government	-	-	-
Transfers from other Government entities	28,709,000.00	28,709,000.00	28,709,000.00
Public contributions and donations	20,000.00	20,000.00	20,000.00
Rendering of services- Medical Fees	40,190,000.00	40,190,000.00	40,190,000.00
Sale of goods	17,200.00	17,200.00	17,200.00
Other income	81,390.00	81,390.00	81,390.00
Total income	69,017,590.00	69,017,590.00	69,017,590.00
Expenses			
Compensation of employees	11,816,741.00	11,816,741.00	11,816,741
Medical /clinical costs	33,885,564.00	33,885,564.00	33,885,564
Finance costs	10,410.00	10,410.00	10,410
Remuneration of Board of Management	1,225,065.00	1,225,065.00	1,225,065
General expenses	31,204,815.00	31,204,815.00	31,204,815
Repair and Maintenance	7,717,675.00	7,717,675.00	7,717,675
Total expenditure	85,860,270.00	85,860,270.00	85,860,270
Surplus for the period	(16,842,680.00)	(16,842,680.00)	(16,842,680.00)

The Hospital's financial statements were approved by the Board on 05/06/2022 and signed on its behalf by:

Simon GATIP
Name

PAISCIHAR KIPLAGAT
Name

[Signature]
Name Dr. Kuna

Chairman
Board of Management

5/06/22

Head of Finance
ICPAK No: 240931

Medical Superintendent

18. Notes to the Financial Statements

1. General Information

Gilgil Sub County Hospital is established by and derives its authority and accountability from Health Act. The entity is wholly owned by the Nakuru County Government and is domiciled in Nakuru County in Kenya. The Hospital principal activity is health care for all.

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 *Gilgil Sub County Hospital* 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 1-18. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *Gilgil Sub County Hospital*. 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.

Notes to the Financial Statements(*Continued*)

3. Adoption of New and Revised Standards

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2022.

Standard	Effective date and impact
IPSAS 42: Social Benefits	Applicable: 1st January 2023 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: (a) The nature of such social benefits provided by the Entity. (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.

iii) Early adoption of standards

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

Notes to the Financial Statements(Continued)

4. Summary of Significant Accounting Policies

- a) **Revenue recognition**
- i) **Revenue from non-exchange transactions**

Transfers from other Government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the *Hospital* and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the asset that has been acquired using such funds.

- ii) **Revenue from exchange transactions**

Rendering of services

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

Sale of goods

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

Rental income

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

Notes to the Financial Statements (Continued)

b) Budget information

The original budget for FY 2021/2022 was approved by Board on 15th July 2022.

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

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page 5 under section *viii* of these financial statements.

c) Taxes

Sales tax/ Value Added Tax

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

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

Notes to the Financial Statements (Continued)

d) 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)

e) 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

Notes to the Financial Statements (Continued)

Financial assets

Classification of financial assets

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

Subsequent measurement

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

Amortized cost

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

Notes to the Financial Statements (Continued)

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Financial liabilities

Classification

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

Notes to the Financial Statements (Continued)

f) 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.

g) Provisions

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

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

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

Notes to the Financial Statements (Continued)

h) Social Benefits

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

i) 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.

j) 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.

k) 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 Financial Statements Continued

l) **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.

m) **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.

n) **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.

o) **Comparative figures**

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

Notes to Financial Statements Continued

p) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Useful lives and residual values

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

- 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.

Notes to the Financial Statements (Continued)

6. In Kind Contributions from The County Government

Description	2021-2022
	KShs
Salaries and wages	-
Medical supplies-Drawings Rights (KEMSA)	13,025,515
Total grants in kind	13,025,515

7. Transfers from Other Government Entities

Description	2021-2022
	KShs
Transfer from NHIF	24,520,550
Transfer from Gilgil Special school Institute	24,000
Total Transfers	24,544,550

8. Public Contributions and Donations

Description	2021-2022
	KShs
Other donations (<i>Pelican Lodge</i>)	20,000
Total donations and sponsorships	20,000

9. Rendering of Services-Medical Service Income

Description	2021-2022
	Kshs
Pharmaceuticals	11,546,885
Laboratory	6,443,514
Radiology	3,774,700
Orthopedic and Trauma Technology	777,200
Theatre	304,190
Accident and Emergency Service	8,007,790
Nutrition service	14,300
In patient	4,559,560
Dental services	417,200
Farewell home services	1,619,000
Other medical services income (<i>attachment, mopc clinics</i>)	2,725,400
Total revenue from the rendering of services	40,189,739

Notes to the Financial Statements (Continued)

10. Revenue from Rent of Facilities

Description	2021-2022
	Kshs
Non-Residential-Kiosk	80,890
Total Revenue from rent of facilities	80,890

(Provide brief explanation for this revenue)

11. Miscellaneous Income

Description	2021-2022
	KShs
Sale of goods (water, publications, containers etc)	16,400
Total Miscellaneous income	16,400

12. Medical/ Clinical Costs

Description	2021-2022
	Kshs
Laboratory chemicals and reagents	2,039,621
Food and Ration	5,400,618
Dressing and Non-Pharmaceuticals	17,480,605
Pharmaceutical supplies	2,487,618
Health information stationery	575,199
Purchase of Medical gases	200,934
X-Ray/Radiology supplies	1,134,400
Sanitary Materials	1,206,259
Total medical/ clinical costs	30,525,254

13. Employee Costs

Description	2021-2022
	Kshs
Salaries, wages, and allowances	11,804,591
Employee costs	11,804,591

Notes to the Financial Statements (Continued)

14. Board of Management Expenses

Description	2021-2022
	Kshs
Sitting allowance	1,229,523
Total	1,229,523

15. Repairs and Maintenance

Description	2021-2022
	Kshs
Property- Buildings	4,029,964
Medical equipment	1,521,340
Furniture and fittings	217,335
Motor vehicle expenses	153,505
Total repairs and maintenance	5,922,144

16. General Expenses

Description	2021-2022
	Kshs
Catering expenses	250,109
Travel and Accommodation Allowances	1,999,886
Other Fuel	945,000
Bank charges	10,410
Contracted services	1,680,000
Electricity expenses	2,763,433
Fuel and Lubricants	841,586
Internet Services	239,800
Courier and postal services	9,790
Printing and stationery	320,548
Water and sewerage costs	1,058,971
Telephone and mobile phone services	100,000
Total General Expenses	10,219,533

Notes to the Financial Statements (Continued)

17. Cash and Cash Equivalents

Description		2021/22	
Financial institution	Account number	KShs	
a) Current account			
Kenya Commercial bank	1156024587	15,006,257	
Sub- total		15,006,257	
Grand total		15,006,257	

18. Inventories

Description	2021-2022
	KShs
Pharmaceutical supplies	10,208,997
Maintenance supplies	3,300,055
Food supplies	3,200,000
Linen and clothing supplies	2,200,050
Cleaning materials supplies	4,460,600
Total	23,369,702

Gilgil Sub County Hospital Level 4 Hospital
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Notes to the Financial Statements (Continued)

19. Property, Plant and Equipment

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Home appliances	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
Cost									
At 30th June 2021	-					17,480,605	23,107		17,503,712
At 30 June 2022						17,480,605	23,107		17,503,712

Disclosure: Other Assets need to be valued so that the Hospital can be able to disclose in their books, as well as the rate of depreciation. waiting for the County to come up with that, For uniformity.

Notes to the Financial Statements (Continued)

20. Intangible Assets-Software

Description	2021-2022
	KShs
Cost	2,500,000
At beginning of the year	
NBV	2,500,000

Disclosure: Amortisation rate not yet discussed waiting for the County to arrive at uniform rate.

21. Trade and other Payables

Description	2021-2022	
	KShs	
Trade payables	40,203,624	
Total trade and other payables	40,203,624	
Ageing analysis:	2021-2022	% of the Total
Under one year	4,021,326	10%
1-2 years	8,024,500	20%
2-3 years	12,016,500	30%
Over 3 years	16,141,298	40%
Total	40,203,624	100%

22. Cash Generated from Operations

Description	2021-2022
	KShs
Surplus for the year before tax	18,176,047
Adjusted for:	
Working Capital adjustments	
Increase in inventory	(23,369,702)
Increase in receivables	1,342,125
Increase in payables	40,203,624
Net cash flow from operating activities	18,176,047

Notes to the Financial Statements (Continued)

23. 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.

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

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

24. Events after the Reporting Period

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

25. Ultimate and Holding Entity

The entity is a State Corporation/ or a Semi- Autonomous Government Agency under the Department of Health Its ultimate parent is the County Government of Nakuru.

26. Currency

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