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**REPORT**

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**THE AUDITOR-GENERAL**

**ON**

**ZOMBE SUB-COUNTY LEVEL 4 HOSPITAL**

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

**COUNTY GOVERNMENT OF KITUI**



OFFICE OF THE AUDITOR GENERAL  
P.O. BOX 10103, NAIROBI  
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**ZOMBE SUB COUNTY HOSPITAL  
(Kitui County Government)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2023**

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

**ZOMBE SUB-COUNTY HOSPITAL  
MEDICAL SUPERINTENDENT**  
**30 MAY 2024**  
**P.O. Box 72, ZOMBE**

PAPEERS LAID

DATE	18/09/24
TABLED BY	M. Leader
COMMITTEE	—
CLERK AT THE TABLE	T. J. J. J.

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

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**1. Acronyms & Glossary of Terms**

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

**2. Key Entity Information and Management**

**a) Background information**

Zombe Sub County Hospital is a level (4) hospital established under gazette notice number 5826 and is domiciled in Kitui County under the Health Department. The hospital is governed by a Board of Management.

**(b) Principal Activities**

The principal activity of the Zombe Sub County Hospital is to offer health care services to the community of Kitui east sub county, Kitui county and Kenya at large.

**Vision:** An efficient quality healthcare system that is accessible, equitable and affordable to all Kenyans.

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

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

**(c) Key Management**

The hospitals management is under the following key organs:

- County department of health
- Board of Management
- Accounting Officer/ Medical Superintendent
- Hospital Management Team

**(d) Fiduciary Management**

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

No.	Designation	Name
1.	CECM Finance	-Peter Kilonzo
2.	Chief Officer Finance	-CPA John Kimwele
3.	CECM Health	-Ruth Koki
4.	Chief Officer Health	-Dr. Benson Musyoka
5.	Medical Superintendent	- Dr. Ugas Mohammed

**(e) Fiduciary Oversight Arrangements**

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

**(f) Entity Headquarters**

P.O. Box 72-90202  
Zombe Town  
Kitui, Kenya  
Physical address: 1 km from Zombe town, next to St Bhakita primary school on the road to Ngelani village

**(g) Entity Contacts**

Telephone: (+254)114 363 474  
E-mail: [zombesubcountyhospital@gmail.com](mailto:zombesubcountyhospital@gmail.com)  
Website: [www.kitui.go.ke](http://www.kitui.go.ke)

**(h) Entity Bankers**

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

**(i) Independent Auditors**

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

**(j) Principal Legal Adviser**

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

**(k) County Attorney**

P.O. Box. 33-90200  
KITUI, Kenya

**3. The Board of Management**







<b>Ref</b>	<b>Directors</b>	<b>Details</b>
1.	Robert Kula Itatu	Chairperson
2.	Dr Ugas Mohammed	Medical Superintendent/Secretary
3.	Daniel Munyotto	Kitui East Sub County Administrator
4.	John Mwalimu	Representative, Professional Groups
5.	Sharon Vilita Mutua	Representative, Women Groups
6.	Rev. Mutia	Representative, Faith Based Organizations
7.	Mulekye Mwia	Representative, NYC
8.	Christopher Mutambuki	Representative, PLWDs



**4. Key Management Team**

Ref	Management	Details
1.	 Dr Ugas Mohammed	Medical Superintendent
2.	CPA Winnie Mue	Head of Finance
3.	 Fauzia Musembi	Health administrative officer
4.	 Catherine Ndunge	Head of Nursing Department
5.	 Gladys Wambua	Head of supply chain Department
6.	 Oliver Ivuti	Head of Laboratory Department

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

7.	 Chris Mwangangi	Head of Pharmacy Department
8.	 Grace Muthui	Head of Nutrition Department
9.	 Jeddy Mwendu	Head of Clerical Department
10.	 Damaris Munyao	Head of Ortho trauma Department
11.	 Immaculate Muteti	Head of Records Department
12.	 Stephen Wambua	Head of Clinical Department

**5. Chairman's Statement**

The Zombe Sub County Hospital facility management committee was established on 18<sup>th</sup> March 2022 under the gazette notice number 3148 and had an introduction meeting on 13<sup>th</sup> May 2022. However, the board did not assume office thus the Chairman's statement for the financial year ended June 2023 is not available.

.....  
**Name**

**Chairman to the Board**

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

Zombe sub county hospital is a facility that was established by the National government of Kenya under the gazette notice number 5826 on 17<sup>th</sup> May 2019.

The hospital is located in Zombe/ Mwitika ward in Kitui East Sub-County. The Hospital has a catchment population of 5442 in 2021. The population is mostly made up of people of the Akamba ethnicity. The hospital serves people from Malatani, Makongo, Mang'ola, Ithangathi and Kathande villages. The facility also acts as a Referral link facility for 21 out of 30 facilities in Kitui East located within Zombe/ Mwitika, Endau/Malalani and Voo/ Kyamatu Wards. The facility refers its patients out to Kitui County Referral Hospital.

The climate where the facility is located is semi-arid; it receives roughly 71 cm (28 inches) of rain during the rainy seasons (one long around March and April, and one short, around October, November and December). The rest of the months experience a hot and dry climate.

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

In the financial year 2022/2023 the hospital generated Ksh 3,103,749 in revenue. The funds were generated as the patients paid for the services that they received in the facility.

The facility received an equivalent of Ksh 5,978,629 from the Kitui County government on Monthly disbursement basis/ Facility improvement funds (FIF)

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

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

In the Financial Year 2022/2023 the facility management was able to operationalize a 4-bed capacity Inpatient Unit to cater for the general medical patients.

In addition to that the NHIF accreditation process for the facility was initiated and great strides in the terms of progress were made towards accreditation of the facility. NHIF will be very beneficial for our patients to help them access health care at the facility which is currently not possible. This will facilitate bringing essential health services closer to the people in line with the Universal Healthcare vision.

The facility hosts 3 infrastructural blocks within the grounds namely:

- Maternity and Theatre Block: Status- Incomplete-Operational
- Outpatient Block: Status- Incomplete/ Renovations ongoing

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

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- Radiology Block: Status-Complete-Operational

In the financial year 2022/2023 the facility has managed to operationalise the Radiology services in the facility including Radiographs, Ultrasounds, Plaster and Physiotherapy services.

In addition to that the staff has an additional 3 nurses and one clinical officer via the UHC contract.

The facility has undergone a renovation of the Maternity and Theatre Block including Paint works, Overhaul of the drainage and water system, Electricity repairs, Toilet and bathroom repairs by Afya Halisi. The management also managed to plant some drought resistant Neem trees along the fence of the facility and thus contributed in environmental sustainability efforts within the county.

Among the challenges that the facility faced in the financial year that ended June 2023 include but not limited to: Insufficient funding, Delayed reimbursement of funds(FIF) to the facility, Severe staff shortage, Lack of NHIF accreditation, Lack of power back up, Lack of ground levelling at the facility grounds, Infrastructure challenges including: -Lack of Laboratory, Store(Pharmaceutical, Non-Pharmaceutical, General), Kitchen, Inpatient/General ward, Incomplete Theatre block, Staff quarters and a Power house.

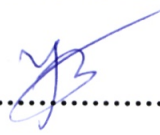
The future outlook for the facility includes liaising closely with the Kitui County government and the stakeholders to propel the facility forward so that it can function at a level 4 capacity and thus be able to serve the people of Kitui east and Kitui at large more efficiently. The Medical superintendent and the local administration of the hospital shall work closely with the facility board of management, the Ministry of Health and Sanitation leadership and the County government leadership and all the stakeholders to achieve this objective.

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

Adequate staffing according to the staffing norms agreed upon by the Kenya quality model for health.

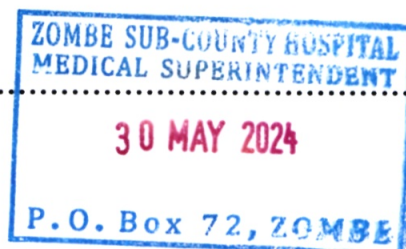
Completion and operationalisation of the Out-patient block and temporary laboratory.

Completion of the stalled patient toilets, and stalled operating theatre.



.....  
**Name**

**Secretary to the Board**



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

Zombe sub county hospital has 2 strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2022- FY 2023. These strategic pillars/ themes/ issues are as follows;

Pillar /theme/issue 1: Good health services

Pillar/theme/issue 2: Patient satisfaction

Zombe sub county hospital develops its annual work plans based on the above X pillars/Themes/Issues. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The Zombe Sub County Hospital achieved its performance targets set for the FY 2022/2023 period for its 2 strategic pillars, as indicated in the diagram below:

<b>Strategic Pillar/Theme/Issues</b>	<b>Objective</b>	<b>Key Performance Indicators</b>	<b>Activities</b>	<b>Achievements</b>
Pillar/ theme/ issue 1:	To improve access to healthcare services for the community	Reduce the waiting time for medical consultation by 15%	Regular monitoring and evaluation of consultation time	Waiting time for medical consultation was reduced by 20% surpassing the goal.
Pillar/ theme/ issue 2:	To enhance the quality of healthcare services and patient satisfaction	Achieve a patient satisfaction score of 90%	Regular monitoring and evaluation of medical processes	Patient satisfaction score reached 93% exceeding the target.

In addition to the above, Zombe hospital has ensured that achievements are tied to performance contracts for our staff. Each staff member is evaluated based on their contributions towards achieving the strategic objectives outlined in our annual work plans. Furthermore, our County Government regularly assesses our performance against our annual work plan on a quarterly basis. This ensures that we stay on track.

In conclusion, Zombe Sub County Hospital is proud to report that we have successfully met our performance targets for the FY 2022/2023 period for all our strategic pillars and objectives.

## **8. Corporate Governance Statement**

Zombe Sub County Hospital management committee was established in accordance with the Kitui County health facilities management committee act,2014 and was gazetted on 14<sup>th</sup>February 2022 under gazette notice number.

### **Membership**

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

The committee consists of: -

1. The chairperson Mr Robert Kula Itatu who was nominated by the County Executive Committee Member for Health and Sanitation and approved by the Governor Kitui County
2. The secretary to the committee and ex-official, Dr Japheth Mutinda who is the Medical superintendent of the hospital
3. The Sub-County Administrator Mr Daniel Munyotto
4. The Business community representative Mr Peter Kasuli
5. Representative of professional groups Mr John Mwalimu
6. Representative of womens groups- Sharon VillitaMutua
7. Representative of Faith based organisations- Rev Mutia
8. Representative of Youth through the National Youth council -Mulekye Mwia
9. Representative of people living with disability with bias to gender rule based on other members of the committee -Christopher Mutambuki

### **Succession**

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

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

### **Funds of the Committee**

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

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

### **Meetings of the Committee**

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

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

**Functions of the Hospital Management Committee**

The committee shall –

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

**Core responsibilities of the Zombe sub county hospital Management Committee**

The responsibilities of the committee are outlined as follows: -

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

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

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

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



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

**Remuneration: -**

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

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

- (1) The Hospital Management committee shall notify the hospital management team of all its meetings and ensure that the minutes and plans of every meeting are supplied to the hospital management team within seven (7) days of its meetings.
- (2) The hospital management team shall ensure that the minutes received under this section are forwarded to the Chief officer in the county ministry of health and sanitation who shall in turn brief the County Executive Committee member on the minutes and plans.

## **9. Management Discussion and Analysis**

The following is a brief outline of management discussion and analysis: -

### **Clinical/operational performance**

Zombe Sub County Hospital being geographically centrally located within Kitui East Sub county, receives patients from the neighbouring wards including Zombe/Mwitika, Voo/Kyamatu and Endau/Malalani ward. The Maternity ward has a 6-bed capacity while the inpatient rooms are 4 bed capacity

The facility also has a 3-bed accident and emergency room used for casualty patients.

In the year ended June 2023, the target population for the year was 5442. A total of 10,242 patients were seen at the outpatient which surpassed the target population for the year by 88% however this was a drop from the previous 11,399 in the year 2021/2022.

Of note is that the facility isolated two rooms to use to host admitted patients as the facility lacks a general ward.

### **Notes**

The surgical theatre is not operational and currently houses the facility Laboratory, CCC clinic, Kitchen and Food store. In this regard only, minor operations under local anaesthesia are performed within the facility.

### **Financial performance that includes**

In the financial year ended June 2023, the facility collected a total of Ksh 3,103,749.00

The revenue was collected as service fees for the health care services administered to the patients

The facility now has NHIF accreditation but most of the fees collected was in cash form via MPESA to the Kitui County Government Pay bill number 815815.

The Major revenue source for the facility are the funds that are disbursed from the County government in the form of FIF (facility improvement funds).

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

## **10. Environmental and Sustainability Reporting**

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

### **i) Sustainability strategy and profile**

The facility management has been working closely with all the County and local governance to achieve the facility's objectives for the year.

### **ii) Environmental performance**

The Zombe Sub County hospital is committed towards environmental sustainability.

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

Part of the efforts that the facility is putting towards environmental sustainability include planting of trees and greenery within the hospital compound, maintaining a clean and neat hospital compound and prudent use of water among others. We also have put in place water harvesting projects during the rainy season using the gutter system to harvest water into storage tanks.

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

The facility however has challenges with implementing this policy fully as it lacks an incinerator which is important for the disposal of sharp waste. Currently the facility utilises the burning chamber at Inyuu health centre to dispose of the sharps waste.

The other general waste is disposed off at the facility ash pit.

### **iii) Employee welfare**

The employee hiring policy is being cascade down by the county government and ministry of health and sanitation.

### **iv) Market place practices-**

The following are the efforts of Zombe sub county hospital to: -

#### **a) Responsible competition practice.**

The facility is committed to upholding responsible competition price practices and selects its suppliers based on the guidelines outlined by the County government. The Supplies, commodities

and services rendered are reviewed and audited periodically by the health management team of the facility.

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

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

**c) Responsible marketing and advertisement**

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

**d) Product stewardship**

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

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

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

The facility management in close liaison with the board of management, County government of Kitui, the Kitui east sub county management team, Public health officers, Health promotion officers have endeavoured to carry activities of community engagement including giving health talks at chiefs baraza several times, massive deworming and nutrition campaigns in conjunction with NGOs, organizing a vulnerable people's group in the form of table banking for the CCC clients among others.

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

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

### **Principal activities**

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

### **Results**

The results of the entity for the year ended June 30 2023 are set out on pages 1 to 9

### **Board of Management**

The members of the Board are shown on page vii.

### **Auditors**

The Auditor General is responsible for the statutory audit of Zombe Sub County Hospital in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015

By Order of the Board.



.....  
Dr. Ugas Mohammed  
**Secretary of the board.**



**12. Statement of Board of Management’s Responsibilities**

Section 164 of the Public Finance Management Act, 2012 requires the Board of Management to prepare financial statements in respect of 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. 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, 2023, 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.

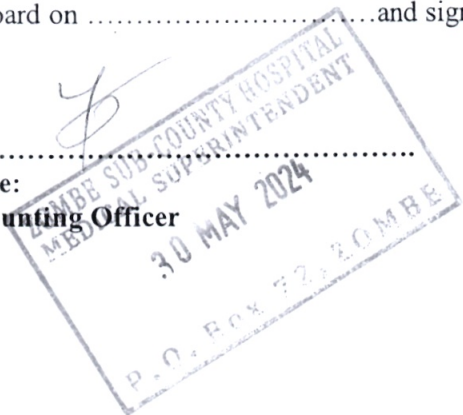
Nothing has come to the attention of the Board of management to indicate that the entity will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

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

.....  
**Name:**  
**Chairperson**  
**Board of Management**

.....  
**Name:**  
**Accounting Officer**



# REPUBLIC OF KENYA

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## REPORT OF THE AUDITOR-GENERAL ON ZOMBE SUB-COUNTY LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2023 - COUNTY GOVERNMENT OF KITUI

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### PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such Hospitals 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 Zombe Sub County Level 4 Hospital - County Government of Kitui set out on pages 1 to 36, which comprise of the

statement of financial position as at 30 June, 2023 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, 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 Zombe Level 4 Hospital – County Government of Kitui as at 30 June, 2023, and 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. Non-Disclosure of Employee Costs Paid by The County Government**

The statement of financial performance reflects employee costs of Kshs.1,301,377 for casuals and contractual staff as disclosed in Note 9 to the financial statements. The Hospital received services from eight (8) medical staff employed and paid by the County Government. However, the expenditure was not disclosed in the financial statements and the payroll was not provided for audit.

In the circumstances, the accuracy and completeness of employee costs of Kshs.1,301,377 could not be confirmed.

#### **2. Omission of Comparative Balances**

The statement of financial performance and as disclosed in Note 13 to the financial statements reflects Nil balance on comparative amount on refunds to County Government. However, the prior year audited financial statements reflects Kshs.1,984,805 resulting in an unexplained variance of same amount.

Further, the statement of cash flows for the year ended 30 June, 2022 reported cash and cash equivalents balance of Kshs.8,826. Review of the statement of cash flows for the year ended 30 June, 2023 revealed that comparative amounts were not disclosed.

In the circumstances, the accuracy and completeness of the comparative balances could not be confirmed.

#### **3. Undisclosed Inventories Balance**

The statement of financial position did not disclose any inventories for the Hospital for the year under review. However, review of the records revealed that there were



pharmaceutical and non-pharmaceutical items in the stores during the year under review. Further, there was no evidence of conducting the annual stock take to confirm the quantities, value and status of closing inventory balances as at 30 June, 2023.

In the circumstances, the accuracy, completeness and valuation of the inventories could not be confirmed.

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

The statement of financial position reflects Nil balance on property, plant and equipment as disclosed in Note 16 to the financial statements. However, available information shows that the Hospital has three (3) acres of freehold land, buildings, two (2) motor vehicles, computers and other movable and non-movable assets of undetermined value. Further, the land on which the Hospital is built and the developments therein did not have ownership documents.

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

#### **5. Non-Disclosure of Donated Drugs**

The statement of financial performance did not disclose grants from donors and development partners. However, distribution data from Kenya Medical Supplies Authority (KEMSA) revealed that the hospital received donations and program commodities drugs amounting to Kshs.1,088,788 and Universal Health Coverage of Kshs.118,017 but were not disclosed in the financial statements.

In the circumstances, the accuracy and completeness of grants from donors and development partners could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Zombe Sub County Level 4 Hospital Management 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

#### **Key Audit Matters**

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

#### **Other Matter**

#### **Unresolved Prior Year Audit Matters**

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, the Report on Lawfulness and Effectiveness in Use of Public

Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance which have remained unresolved as at 30 June, 2023.

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

Review of hospital records and interviews on verification of services offered, equipment used and medical specialists at the time of audit revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits by ninety-three (93) or 92% of the of the authorized establishment.

Staff Requirements	Level 4 Standard	Number in Hospital	Variance	Percentage %
Medical Officers	16	1	15	94
Anesthesiologists	2	0	2	100
General Surgeons	2	0	2	100
Gynecologists	2	0	2	100
Pediatricians	2	0	2	100
Radiologists	2	0	2	100
Registered Community Health Nurses	75	7	68	91
<b>Total</b>	<b>101</b>	<b>8</b>	<b>93</b>	<b>92</b>

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

Service	Level 4 Hospital Standard	Actuals in the Hospital	Variance	Percentage %
Bed Capacity	150	3	147	98
Incubators (Newborn)	5	1	4	80

Resuscitative in Labour Ward	2	0	2	100
Functional ICU Beds	6	0	6	100
HDU Beds	6	0	6	100
Renal Unit with Dialysis Machines	5	0	5	100
Functional Operating Theaters Maternity and General	2	0	1	50

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

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

## 2. Hospital Operating without Management Committees

Section 5 of the Kitui County Health Facilities Management Committee Act, 2014 provides for the appointment of Hospital Management Committee by the County Executive Committee Member (CECM) responsible for Health matters. However, the CECM Health vide Gazette Notice Number 13546 dated 25 August, 2023 revoked the appointment of all Hospital Management Committees without replacement. As a result, the annual report and the financial statements for the year ended 30 June, 2023 have not been signed off by the Chairman of the Hospital Board in accordance to the reporting framework prescribed for Public Sector Accounting Standards Board (PSASB) accrual basis of accounting.

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 matters 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**

### **1. Lack of Disaster Recovery Plan**

During the year under review, the Hospital did not have in place a disaster recovery plan or a business continuity plan to mitigate against risk.

In the circumstances, the effectiveness of management strategies to address identified risks could not be confirmed.

### **2. Failure to Establish Audit Committee and Operations of Internal Audit Unit**

During the year under review, the Hospital did not establish an audit committee. This was 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. Further, Management did not rely on the Internal Audit Department of the Kitui County Executive as there was no evidence that the Hospital had been audited by Internal Audit department from the County Executive.

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

### **3. Lack of Risk Management Policy**

During the year under review, the Hospital did not have a risk management policy that is signed and approved by the Hospital board in place. This was contrary to Regulation 158 of the Public Finance Management (County Governments) Regulations, 2015 that provides that the County Government entity shall develop risk management strategies, which include fraud prevention mechanism; and a system of risk management and internal control that builds robust business operations.

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

### **4. Expiry of Medical Supplies**

The statement of financial position did not disclose inventories for the year under review. However, review of the store records on pharmaceuticals and non-pharmaceuticals revealed that eighty-one (81) units of various drugs of undetermined value had expired.

In the circumstances, the effectiveness of internal controls on the management of pharmaceutical and non-pharmaceutical 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 the Board of Management**

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

In preparing the financial statements, Management is responsible for assessing the Hospital's ability to sustain its services, disclosing, as applicable, matters related to sustainability of services unless the 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 audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

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

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

**10 June, 2024**

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

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

Description	Notes	2022/23	2021/2022
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from the County Government	6	5,978,629	5,178,707
Transfers from other Government entities		-	-
		<b>5,978,629</b>	<b>5,178,707</b>
<b>Revenue from exchange transactions</b>			
Rendering of services- Medical Service Income	7	3,103,749	1,984,805
Other income		-	-
<b>Revenue from exchange transactions</b>		<b>3,103,749</b>	<b>1,984,805</b>
<b>Total revenue</b>		<b>9,082,378</b>	<b>7,163,512</b>
<b>Expenses</b>			
Medical/Clinical costs	8	1,525,730	1,940,270
Employee costs	9	1,301,377	1,672,170
Board of Management Expenses	10	83,000	15,573
Depreciation and amortization expense		-	-
Repairs and maintenance	11	618,770	475,780
Grants and subsidies		-	-
General expenses	12	2,447,501	1,110,278
Refunds to County Government	13	3,103,749	-
<b>Total expenses</b>		<b>9,080,127</b>	<b>5,214,071</b>
<b>Other gains/(losses)</b>			
Gain on disposal of non-Current assets		-	-
Gain on foreign exchange transactions		-	-
<b>Total other gains/(losses)</b>		-	-
<b>Net Surplus for the year</b>		<b>2,251</b>	<b>(35,363)</b>

The notes set out on pages 6 to 35 form an integral part of the Annual Financial Statements.

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

.....  
Chairman

.....  
Board of Management

*JTC*  
Head of Finance

ICPAK No: 28941

*[Signature]*  
Medical Superintendent





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

**15. Statement of Financial Position as of 30<sup>th</sup> June 2023**

Description	Notes	2022/23 Kshs	2021/2022 Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	15	52,253	8,826
Receivables from exchange transactions		-	-
Receivables from non-exchange transactions	14	500,000	-
<b>Total Current Assets</b>		<b>552,253</b>	<b>8,826</b>
<b>Non-current assets</b>			
Property, plant, and equipment	16	-	-
<b>Total Non-current Assets</b>		<b>-</b>	<b>-</b>
<b>Total assets</b>		<b>552,253</b>	<b>8,826</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	17	585,366	98,000
Refundable deposits from customers/Patients		-	-
<b>Total Current Liabilities</b>		<b>585,366</b>	<b>98,000</b>
<b>Non-current liabilities</b>			
Non - Current portion of borrowings		-	-
<b>Total Non-current liabilities</b>		<b>-</b>	<b>-</b>
<b>Total Liabilities</b>		<b>585,366</b>	<b>98,000</b>
<b>Net assets</b>			
Revaluation reserve		-	-
Accumulated surplus/Deficit		(33,113)	(35,364)
Capital Fund		-	-
		<b>(33,113)</b>	<b>(35,364)</b>
<b>Total Net Assets and Liabilities</b>		<b>552,253</b>	<b>62,636</b>

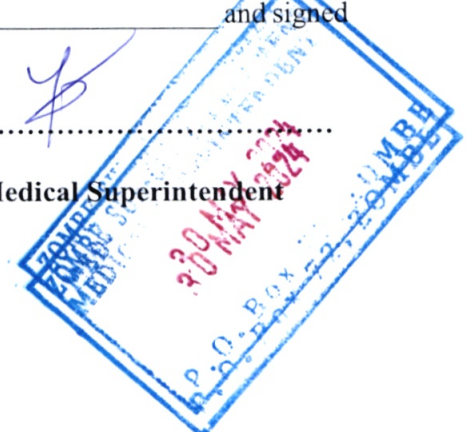
The notes set out on pages 6 to 35 form an integral part of the Annual Financial Statements.

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

.....  
Chairman  
Board of Management

.....  
Head of Finance  
ICPAK No: 28941

.....  
Medical Superintendent



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

<b>Description</b>	<b>Revaluation reserve</b>	<b>Accumulated surplus/Deficit</b>	<b>Capital Fund</b>	<b>Total</b>
<b>As at July 1, 2021 (previous year)</b>	-	-	-	-
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	(35,364)	-	<b>(35,364)</b>
Capital/Development grants	-	-	-	-
<b>As at June 30, 2022 (previous year)</b>	-	<b>(35,364)</b>	-	<b>(35,364)</b>
<b>At July 1, 2022 (current year)</b>	-	<b>(35,364)</b>	-	<b>(35,364)</b>
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	2,251	-	<b>2,251</b>
Capital/Development grants	-	-	-	-
<b>At June 30, 2023 (current year)</b>	-	<b>(33,113)</b>	-	<b>(33,113)</b>

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

Description	Note	2022/2023	2021/2022
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the County Government		5,478,629	-
Transfers from other Government entities		-	-
Rendering of services- Medical Service Income		3,103,749	-
<b>Total Receipts</b>		<b>8,582,378</b>	-
			-
<b>Payments</b>			-
Medical/Clinical costs		1,304,210	-
Employee costs		1,188,257	-
Board of Management Expenses		83,000	-
Repairs and maintenance		613,770	-
General expenses		2,201,775	-
Transfer to the county government.		3,103,749	-
Payables paid		44,191	-
<b>Total Payments</b>		<b>8,538,952</b>	-
<b>Net cash flows from operating activities</b>	<b>18</b>	<b>43,426</b>	-
<b>Cash flows from investing activities</b>			-
Acquisition of investments		-	-
<b>Net cash flows used in investing activities</b>		-	-
<b>Cash flows from financing activities</b>			-
Proceeds from borrowings		-	-
<b>Net cash flows used in financing activities</b>		-	-
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>43,426</b>	-
Cash and cash equivalents as at 1 July 22	15	8,827	-
<b>Cash and cash equivalents as at 30 June 23</b>	<b>15</b>	<b>52,253</b>	-

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	<b>a</b>	<b>b</b>	<b>c=(a+b)</b>	<b>d</b>	<b>e=(c-d)</b>	<b>f=d/c%</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	
<b>Revenue</b>						
Transfers from the County Government	6,000,000	-	6,000,000	5,978,629	21,371	100%
Rendering of services- Medical Service Income	3,125,120	-	3,125,120	3,103,749	21,371	99%
<b>Total income</b>	<b>9,125,120</b>	<b>-</b>	<b>9,125,120</b>	<b>9,082,378</b>	<b>42,742</b>	<b>100%</b>
<b>Expenses</b>						
Medical/Clinical costs	1,525,730	-	1,525,730	1,525,730	-	100%
Employee costs	1,301,378	-	1,301,378	1,301,377	1	100%
Remuneration of directors	83,000	-	83,000	83,000	-	100%
Repairs and maintenance	642,392	-	642,392	618,770	23,622	96%
General expenses	2,447,500	-	2,447,500	2,447,501	(1)	100%
Refunds to County Government	3,125,120	-	3,125,120	3,103,749	21,371	99%
<b>Surplus for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,251</b>	<b>(2,251)</b>	<b>0%</b>
<b>Capital expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**19. Notes to the Financial Statements**

**1. General Information**

Zombe sub county hospital entity is established by and derives its authority and accountability from the Kitui County Governments Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to improve the health of community.

**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 Zombe 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 4. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Zombe sub county hospital.

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

**3. Adoption of New and Revised Standards**

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

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

<b>Standard</b>	<b>Effective date and impact:</b>
<b>IPSAS 41:</b> Financial Instruments	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></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"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>
<b>IPSAS 42:</b> Social Benefits	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The</p>

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	<p>information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Entity;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity’s financial performance, financial position and cash flows.</p>
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p><b>Applicable: 1st January 2023:</b></p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other improvements to IPSAS	<p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b></li> </ul> <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</p>
IPSAS 43	<b>Applicable 1<sup>st</sup> January 2025</b>

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	<p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

**j. Early adoption of standards**

The entity did not early – adopt any new or amended standards in the year 2022/2023



**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.

**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.

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

**b) Budget information**

The original budget for FY 2022/2023 was approved by Board. 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 0 on the FY 2022/2023 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 *I* 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.

**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

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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 2 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.

**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

**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.

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

**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 considering 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.

**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 considering 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.

#### **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 considering 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

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➤ 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.

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.

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

**k) Nature and purpose of reserves**

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

**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.

**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.

**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, 2023.

## **5. Significant Judgments and Sources of Estimation Uncertainty**

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

### **Estimates and assumptions**

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

### **Useful lives and residual values**

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

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

### **Provisions**

Provisions were raised and management determined an estimate based on the information available. 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.

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Notes to the Financial Statements (Continued)

6. Transfers from the County Government

Description	2022/23	2021/22
	KShs	KShs
<b>Unconditional grants</b>		
Operational grant	5,978,629	5,178,707
Level 5 grants	-	-
Other grants	-	-
	<b>5,978,629</b>	<b>5,178,707</b>
<b>Conditional grants</b>		
<b>Total government grants and subsidies</b>	<b>5,978,629</b>	<b>5,178,707</b>

6 b Transfers from The County Government

Name of the Hospital 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	Comparative Period
			KShs	KShs	KShs
Kitu County Government	5,978,629	-	-	5,978,629	5,178,707
<b>Total</b>	<b>5,978,629</b>	<b>-</b>	<b>-</b>	<b>5,978,629</b>	<b>5,178,707</b>

7. Rendering of Services-Medical Service Income

Description	2022/23	2021/22
	KShs	KShs
Pharmaceuticals	1,160,920.00	1,058,175
Non-Pharmaceuticals	63,590	29,640
Laboratory	363,650.00	200,960
Radiology	508,191	232,300
Orthopedic and Trauma Technology	50,550	26,850
Other medical services income	956,848	436,880
<b>Total revenue from the rendering of services</b>	<b>3,103,749</b>	<b>1,984,805</b>

*Notes to the Financial Statements (Continued)*

**8. Medical/ Clinical Costs**

<b>Description</b>	<b>2022/23</b>	<b>2021/22</b>
	<b>KShs</b>	<b>KShs</b>
Dental costs/ materials	-	-
Laboratory chemicals and reagents	-	-
Public health activities	-	-
Food and Ration	639,730	502,910
Uniform, clothing, and linen	-	-
Dressing and Non-Pharmaceuticals	-	120,210
Pharmaceutical supplies	-	-
Health information stationery (medical Records)	233,450	-
Reproductive health materials	-	-
Sanitary and cleansing Materials	225,050	335,110
Purchase of Medical gases	-	-
X-Ray/Radiology supplies	319,500	380,600
Other medical related clinical costs ( <i>fuels</i> )	108,000	601,440
<b>Total medical/ clinical costs</b>	<b>1,525,730</b>	<b>1,940,270</b>

**9. Employee Costs**

<b>Description</b>	<b>2022/23</b>	<b>2021/22</b>
	<b>KShs</b>	<b>KShs</b>
Salaries, wages, and allowances	1,230,005	1,590,100
Contributions to pension schemes		-
Service gratuity		-
Performance and other bonuses		-
Staff medical expenses and Insurance cover	32,940	33,600
Group personal accident insurance and WIBA		-
Social contribution	38,432	48,470
Other employee costs ( <i>specify</i> )		-
<b>Employee costs</b>	<b>1,301,377</b>	<b>1,672,170</b>

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

**10. Board of Management Expenses**

<b>Description</b>	<b>2022/23</b>	<b>2021/22</b>
	<b>KShs</b>	<b>KShs</b>
Chairman's Honoraria	-	-
Sitting allowance	83000	15,573
Mileage	-	-
Insurance expenses	-	-
Induction and training	-	-
Travel and accommodation allowance	-	-
Airtime allowances	-	-
<b>Total</b>	<b>83,000</b>	<b>15,573</b>

**11. Repairs and Maintenance**

<b>Description</b>	<b>2022/23</b>	<b>2021/22</b>
	<b>KShs</b>	<b>KShs</b>
Property- Buildings	311,310	239,710
Medical equipment	-	-
Office equipment	-	-
Furniture and fittings	-	-
Computers and accessories	-	-
Motor vehicle expenses	307,460	236,070
Maintenance of civil works	-	-
<b>Total repairs and maintenance</b>	<b>618,770</b>	<b>475,780</b>

**12. General Expenses**

<b>Description</b>	<b>2022/23</b>	<b>2021/22</b>
	<b>KShs</b>	<b>KShs</b>
Bank charges	6,771	1,443
Conferences and delegations	51,800	-
Electricity expenses	280,000	72,620
Travel and accommodation allowance	727,900	-
Printing and stationery	514,290	792,900
Fuel expenses	567,740	-
Water and sewerage costs	95000	124,315
Telephone and mobile phone services	204,000	119,000
<b>Total General Expenses</b>	<b>2,447,501</b>	<b>1,110,278</b>

Notes to the Financial Statements (Continued)

13. Refunds to County Government

Description	2022/2023	2021/2022
	KShs	KShs
Transfer to the County Government	3,103,749	-
<b>Total transfers to County Government</b>	<b>3,103,749</b>	<b>-</b>

14. Receivables from Non-Exchange Transactions

Description	2022/2023	2021/2022
	KShs	KShs
Transfers from the County Government	500,000	-
<b>Total</b>	<b>500,000</b>	<b>-</b>

14 (a) Analysis of Receivables from Non-Exchange Transactions

Description	2022/2023		2021/2022	
	Kshs		Kshs	
	2022/2023	% of the total	2021/2022	% of the total
Less than 1 year	500,000	100%		%
<b>Total (a+b)</b>	<b>500,000</b>	<b>100%</b>		<b>%</b>

15. Cash and Cash Equivalents

Description	2022/23	2021/22
	KShs	KShs
Current accounts	52,253	8,826
On - call deposits	-	-
Fixed deposits accounts	-	-
Cash in hand	-	-
Others( <i>specify</i> )- Mobile money	-	-
<b>Total cash and cash equivalents</b>	<b>52,253</b>	<b>8,826</b>

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

Description		2022/23	2021/22
Financial institution	Account number	KShs	KShs
a) Current account			
Kenya Commercial bank	1220157570	52,253	8,826
Equity Bank, etc		-	-

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<b>Sub- total</b>		52,253	8,826
<b>b) On - call deposits</b>			
Kenya Commercial bank		-	-
Equity Bank – etc		-	-
<b>Sub- total</b>		-	-
<b>c) Fixed deposits account</b>			
Bank Name		-	-
<b>Sub- total</b>		-	-
<b>d) Others(<i>specify</i>)</b>		-	-
cash in hand		-	-
Mobile money- Mpesa, Airtel money		-	-
<b>Sub- total</b>		-	-
<b>Grand total</b>		<b>52,253</b>	<b>8,826</b>

Notes to the Financial Statements (Continued)

16. Property, Plant and Equipment

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
	Shs		Shs	Shs	Shs	Shs	Shs	Shs
<b>Cost</b>								
At 1 July 2021	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Disposals	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Transfers/adjustments	-	-	(-)	-	-	-	-	(-)
<b>At 30<sup>th</sup> June 2022</b>	-	-	-	-	-	-	-	-
At 1 <sup>st</sup> July 2022	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Disposals	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Transfer/adjustments		-		-			(-)	-
<b>At 30<sup>th</sup> June 2023</b>	-	-	-	-	-	-	-	-
<b>Depreciation and impairment</b>								
At 1 July 2021	-	-	-	-	-	-	-	-



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<b>Description</b>	<b>La nd</b>	<b>Buildi ngs and Civil works</b>	<b>Motor vehicles</b>	<b>Furniture, fittings, and office equipment</b>	<b>ICT Equipment</b>	<b>Plant and medical equipment</b>	<b>Capital Work in progress</b>	<b>Total</b>
Depreciation for the year	-	-	-	-	-	-		-
Disposals	(-)	(-)	(-)	(-)	(-)	(-)		(-)
Impairment	(-)	(-)	(-)	(-)	(-)	(-)		(-)
<b>At30 June 2022</b>	-	-	-	-	-	-		-
At July 2022	-	-	-	-	-	-		-
Depreciation	-	-	-	-	-	-		-
Disposals	(-)	(-)	(-)	(-)	(-)	(-)		(-)
Impairment	(-)	(-)	(-)	(-)	(-)	(-)		(-)
Transfer/adjustment		-	-	-	-	-	(-)	(-)
<b>At 30<sup>th</sup> June 2023</b>	-	-	-	-	-	-	-	-
<b>Net book values</b>								
At 30 <sup>th</sup> June 2022	-	-	-	-	-	-	-	-
At 30 <sup>th</sup> June 2023	-	-	-	-	-	-	-	-

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

**17. Trade and other Payables**

Description	2022/2023		2021/2022	
	KShs		KShs	
Trade payables	585,366		98,000	
<b>Total trade and other payables</b>	<b>585,366</b>		<b>98,000</b>	
<b>Ageing analysis:</b>	<b>2022/2023</b>	<b>% of the Total</b>	<b>2021/2022</b>	<b>% of the Total</b>
Under one year	541,175	92%	98,000	100%
1-2 years	44,191	8%		%
2-3 years		%		%
Over 3 years		%		%
<b>Total</b>	<b>585,366</b>	<b>100%</b>	<b>98,000</b>	<b>100%</b>

**18. Cash Generated from Operations**

	2022/23	2021/22
	KShs	KShs
<b>Surplus for the year before tax</b>		
<b>Adjusted for:</b>	2,251	-
<b>Working Capital adjustments</b>		
Increase in inventory	-	-
Increase in receivables	(500,000)	-
Increase in deferred income	-	-
Increase in payables	541,175	-
Increase in payments received in advance	-	-
<b>Net cash flow from operating activities</b>	<b>43,426</b>	<b>-</b>

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

**19. 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, considering 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:

<b>Description</b>	<b>Total amount</b>	<b>Fully performing</b>	<b>Past due</b>	<b>Impaired</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
At 30 June 2022				
Receivables from exchange transactions	-	-	-	-
Receivables from –non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
At 30 June 2023				
Receivables from –non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has significant concentration of credit risk on amounts due from n/a.

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.

	<b>Less than 1 month</b>	<b>Between 1-3 months</b>	<b>Over 5 months</b>	<b>Total</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>At 30 June 2022</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2023</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-

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

**(iii) Market risk**

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

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

**a) Foreign currency risk**

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	<b>KShs</b>	<b>Other currencies</b>	<b>Total</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>At 30 June 2023</b>			
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.

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

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

**Foreign currency sensitivity analysis**

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

	<b>Change in currency rate</b>	<b>Effect on Profit before tax</b>	<b>Effect on equity</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>20xx</b>			
Euro	10%	-	-
USD	10%	-	-
<b>20xx</b>			
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.

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

**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:

	2022/23	2021/22
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	-	-
Capital reserve	-	-
<b>Total funds</b>	-	-
	-	-
Total borrowings	-	-
Less: cash and bank balances	(-)	(-)
Net debt	-	-
<b>Gearing</b>	-%	-%

**20. 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 Zombe Sub county Hospital, holding 100% of the hospital'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:

- i) The National Government;
- ii) The Ministry of Health and Sanitation Kitui County
- iii) Board of directors;

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

Description	2022/23	2021/22
	Kshs	Kshs
<b>Transactions with related parties</b>		
<b>a) Services offered to related parties</b>		
Services offered	-	-
Sales	-	-
<b>Total</b>	-	-
	-	-
<b>b) Grants from the Government</b>	-	-
Grants from County Government	-	-
Grants from the National Government Entities	-	-
Donations in kind	-	-
<b>Total</b>	-	-
	-	-
<b>c) Expenses incurred on behalf of related party</b>	-	-
Payments of salaries and wages for employees	-	-
Payments for goods and services	-	-
<b>Total</b>	-	-
	-	-
<b>d) Key management compensation</b>	-	-
Directors' emoluments	-	-
Compensation to the medical Sup	-	-
Compensation to key management	-	-
	-	-
<b>Total</b>	-	-

**21. Capital Commitments**

Capital Commitments	2022/23	2021/22
	Kshs	Kshs
Authorised For	-	-
Authorised and Contracted For	-	-
<b>Total</b>	-	-

**22. Events After the Reporting Period**

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



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

**23. Ultimate and Holding Entity**

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

**24. Currency**

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

**20. Appendices**

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

The following is the summary of issues raised by the 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.

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status:</b>	<b>Timeframe:</b>
1.Irregularities in the Financial Statements			Not Resolved	2024
2.Unsupported Cash and Cash Equivalents			Not Resolved	2024
3.Non-Compliance with the Public Sector Accounting Standards Board (PSASB) Reporting Requirements			Not Resolved	2024
4.Unsupported Revenue from Exchange Transactions			Not Resolved	2024
5.Non-Compliance with Requirements in Universal Health Care Expired and Poor Maintenance of Pharmaceuticals and Non-pharmaceuticals			Not Resolved	2024

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**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 implementation of each issue.
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

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**Accounting Officer**

