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REPORT

OF

THE AUDITOR-GENERAL

ON

LAISAMIS SUB-COUNTY REFERRAL HOSPITAL

FOR THE YEAR ENDED 30 JUNE, 2022

COUNTY GOVERNMENT OF MARSABIT

OFFICE OF THE AUDITOR GENERAL
4TH FLOOR TIMES TOWER
P. O. Box 30084 – 00100 NAIROBI
04 JUN 2024
RECEIVED

LAISAMIS SUB-COUNTY REFERRAL HOSPITAL
LEVEL 4 HOSPITAL
(Marsabit County Government)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2022

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

Table of Contents

I. Key Entity Information and Management

a) Background information

Laisamis sub county hospital is a level 4 hospital under Department of Health and it is being governed by the Hospital Management Team with vision to provide efficient services to clients.
It is relatively young hospital and picking up well that offer affordable 24hours Medical services to its client with increased customer satisfaction and improved quality of service.
The hospital is situated at Marsabit county, Laisamis sub-county, Laisamis/Merrille
Before the onset of devolution, the hospital was started by Africa oil as Corporate Social responsibility to the community of Laisamis as dispensary,
Then upgraded to health Centre and on August 2017 the hospital was given License to operate as public Medical institution level 4 under registration number GK-008528.
Hospital faced several challenges as outlined below.

Infrastructural challenges

- Incomplete theatre for surgical operations
- Inadequate inpatient wards
- Insufficient lightening/power such as transformer, and back-up generator
- Lack of x-ray and imaging building
- Dental, eye unit, physiotherapy

Mission
To Provide the highest Standard of Health Services by Developing health system that is technology driven, equitable, accessible and county oriented.
Vision
A healthy county population for economic development and quality life.
Core value
Professionalism, ethics, integrity, Accountability, Partnership and Collaboration
Goals
Efficient noneffective health services delivery. The Facility has adopted use of cashless transaction via KCB playbill and has also requested the county government under health Department to send more staff to the facility to improve on patient management and revenue collection.
Every staff has been tasked with performance target which shall be appraised at the end of the financial year.

b) Principal Activities

The following Activities below are services provided by the hospital

Out Patients Services

- Consultation
- Under five year
- Over five years
- Laboratory services
- MCH
- Immunization
- Antenatal/Postnatal
- Family Planning
- Nutritional Services
- Pharmacy
- CCC
- TB CLINIC

Inpatients Services

- Maternity
- Inpatients

c) Key Management

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

- County department of health
- Hospital Management Team
- Medical Superintendent
- Facility in charge

d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive officer	Mr.Liban Waqo
2.	Nursing Officer Incharge	Mr.Moses Learamo
3.	Head of Human Resource officer	Mrs Rose Maaro
4.	Accounts Incharge	Mr Dominic Dabalen
5.	Pharmacy Incharge	Mr. Ngalo Timado

e) Fiduciary Oversight Arrangements

Hospital Management Team

a) Finance Committee
b) Development Committee
c) Infection Prevention Committee

f) Entity Headquarters
P.O. Box 171-60500
Laisamis Sub County Referral Hospital
Isiolo - Marsabit Highway
Laisamis, KENYA

g) Entity Contacts
Telephone: (+254) 797585277
E-mail: Laisamishospital04@gmail.com
Website: www.go.ke

h) Entity Bankers
Commercial Banks (KCB)
Marsabit branch

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. 384-60500
Marsabit, Kenya

II. The Board of Management

During the year under review the hospital Board of Management was not in place

III. Key Management Team

Ref	Management	Details
	 MR.LIBAN WAQO	Qualification:Bacher Degree in Public Health. Position:Chief Executive officer
	 Mr.Moses Learamo	Qualification:Bachelor of Nursing. Position:Nurse incharge
	 Dr. Mark Mbusi	Qualification:Bacher Degree in Medicine Position:Medical superintendent
	 Mr.Ndamayo Dominic Dabalen	Qualification:Bachelor Degree of Commerce:Banking and Finance option
	Etc.	

IV. Chairman's Statement

During the year under review the hospital Board of Management was not in place

V. Report of The Chief Executive Officer

Laisamis- sub-county referral hospital was started in 2012 as Dispensary then as Health Centre as the same place and then upgraded to sub county level 4 Hospital in 2017. it occupies 4 acres, the facility catchment population for 2022 to 2023 is 5493 with bed capacity 22 (9 male, 8 female and maternity 5)
It is located in Laisamis sub county, Laisamis town on Isiolo - Marsabit highway.

Health Governance

The facility is run by health management team which comprised of all departmental head and lead by hospital chief executive officer.

Development/projects

In order to discharge hospital, mandate the following project have been implemented.

The facility has 42 Skilled staff and 15 support staff against approved establishment of 131 as tabulated below

S/no	Cadre	Available staff	Number required
1	Medical officers	1	4
2	Clinical officer	3	8
3	Nurses	11	60
4	Laboratory technician	3	8
5	Health record and information officers	2	6
6	nutritionist	3	5
7	drivers	1	4
8	accountants	2	1
9	Procurement officers	1	1
10	Customer care	0	2
11	Medical social workers	0	4
12	Biomedical engineers	0	2
13	security	3	3
14	cooks	2	2
15	Clerical officers	6	8
16	cleaners	6	10
17	radiologist	1	3
18	Community health officers	2	
		47	**131**

Facility workload

The table below illustrate the average workload in the facility as per various Department

Departmental	Average monthly
Outpatient Department	500
Inpatient Department	20
Maternity	35
Ante-Natal clinic	46
Post Natal clinic	19
Family planning	22
Comprehensive care clinic	18
Laboratory	250
Pharmacy	550
Community Health	900
Nutrition	170
TOTAL	**2530**

Water shortage

Facility has five big tanks of about10,000 liters each totaling 50,000litres but still hospital water shortage is challenge because hospital depend mainly on rain water and sometime gets water from Department of water. Hospital Management team contacted Kenya commercial bank to drill borehole for the hospital, borehole has already been drilled but piping of water to all building is still under pipeline.

Inadequate Infrastructure

The facility lacks the following

- Adequate space-There is need to construct the following storage sites
- Pharmaceutical stores
- Drug store
- Food and ration store
- Linen store
- Hospital lack Health record and information office hence there is need for construction and equipping

Hospital Land

The whole land is not fenced, there is need for Demarcation, and Fencing with chain link and land entitlement.

Staffing Shortage

The hospital has 35 skilled staff against approved establishment of 58, resulting to shortage of 22. This continues to affect service delivery including non-provision of services expected of level four hospital.

Manual Processing of Transaction

Currently hospital has no automated revenue receipting system. Expenditure, billing, and inventory management are processed manually which is inefficient and time consuming leading to delays in service delivery.

Achievements.

Revenue improved from 390,000ksh

Improved service delivery, Management tried their level best to ensure that Medical drugs was available and continuous supply of laboratory reagents which ensured that lab test was carried without fail

VI. Statement of Performance Against Predetermined Objectives

Laisamis subcounty Hospital has two strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2021- 2022 These strategic pillars/ themes/ issues are as follows:
Pillar /theme/issue 1: Financing
Pillar/theme/issue 2: Service Delivery
Laisamis subcounty hospital develops its annual work plans based on the above two pillars/Themes/Issues. Assessment of the HMT performance against its annual work plan is done on a quarterly basis. The Hospital achieved its performance targets set for the FY 2021/2022 period for its two strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar/ theme/ issue 1: Service Delivery	Primary care Treatment services: -Immunization, Antenatal/Postnatal care, Family planning, HIV/Tb care, Nutrition. Clinics Eliminate Communicable Condition	Increased workload Increased number of Hospital deliveries Improved quality of Life Improved immunization coverage	Health Education Behavioral change Creating awareness of communicable and non-communicable Disease. Enforces safety	Availability of new Female ward Renovation of theatre Construction of septic tank is ongoing.
Pillar/ theme/ issue 1: Financing	Improved revenue collection	24hour FIF /NHIF Collection	Additional of revenue clerk Digitalization of revenue collection is under pipeline	
Theatre	To facilitate operation in the Facility/Ward. To Minimize referrals of surgical cases	Surgical services	County Department of health to equip and operationalize theatre	The building and Finishing ongoing.
Hospital Land	To secure the facility land	Fencing and Tittle deed	To fence and Acquire title Deed	Awaiting
Radiology and	To reduce	Provision of x-	Purchasing of x-	Ultrasound is

Imaging Department	referrals, delays to access service	ray machine and Ultra sound	ray machine and ultrasound	operationalized using portable ultrasound Machine
Incinerator	To facilitate proper waste management	Proper waste management	Construction of incinerator	Proposed during public participation for this current year
Laundry units	To improve			

VII. Corporate Governance Statement

During the year under review the hospital Board of Management was not in place

VIII. Management Discussion and Analysis

Clinical/operational performance

Statics below give overview of clinical and operational performance

- Bed capacity of the hospital is 22
- Overall patient attendance during the year for both inpatient 25 and outpatient 500.
- Accident and Emergency attendance
- Martenity-30
- Pharmacy-550
- Average length of stay for in patient 3days
- Bed occupancy rate 36
- Antenatal clinic 40
- Nutrition 1000

Financial performance that includes: -

Hospital recorded surplus 390,000
The facility managed to raise facility improvement funds amounting to 390,000
And NHIF Amounting to 621,130which was achievement compared to previous years
These funds were utilized well in settling medical/clinical cost, general expenses as indicated in financial statements

....
Mr Liban Waqo
Chief Executive Officer-Facility in charge

IX. Environmental and Sustainability Reporting

Sustainability strategy and profile

Laisamis subcounty Referral hospital exist to transform lives. It is what guides us to deliver our strategy, putting the client/citizen first, delivering health services, and improving operational excellence.

The hospital recognizes the critical role of healthcare institution in promoting environmental sustainability and creating healthier future. As responsible healthcare provider we are committed to reducing our environmental impact, implementing sustainable practices, and contributing to the well-being of our community. This environmental and sustainable report outlines our effort to foster sustainable healthcare ecosystem in Laisamis subcounty hospital.

Waste Management and Recycling

Proper waste management is cornerstone of our sustainability initiatives. We have established a comprehensive waste management system that prioritizes the safe disposal of medical waste and the effective management of general waste. Our staff are trained in waste segregation technique (use of red, yellow and black bin liners and waste bins), Ensuring that hazardous material is handle and disposed of appropriately. The facility installed burning chamber as measure of responsible waste management. We aim to protect the environment and promote a circular economy

Water conservation

Water conservation is a vital aspect of our sustainability strategy. Laisamis hospital has implemented measures to reduce water consumption and promote responsible water usage. We have installed water-efficient fixtures such as low-low faucets, Soaps and availability of pit latrines, additionally we have implemented rainwater harvesting systems to capture and utilize rainwater for non-potables purposes such as cleaning. Through these initiatives, we aim to conserve water resources and contribute to the sustainability of our community.

Community engagement and Education

Laisamis sub-county hospital actively engages with the local to promote environmental awareness and sustainable practices. We organize educational campaigns, workshops and seminars to reduces staff, patient and the community about the importance of sustainability in healthcare. We collaborate with local school and community organization to develop programs that foster environmental responsibility among students and community members. By engaging and empowering our community, we foster a culture of sustainability beyond the hospital premises.

Conclusion

Laisamis sub county Hospital is dedicated to promoting environmental sustainability and fostering a sustainable healthcare ecosystem. Through our effort in waste management, water conservation and community engagement we aim to set an example for other healthcare institutions. By prioritizing sustainability, we contribute to greener and healthier future for our community and inspire other to embrace sustainable practices. Together, we can create positive impact and ensure sustainable healthcare system for generation.

X. Report of the Hospital committee

The hospital Management team has submitted their report together with the Audited Financial Statement for the year ended June 30th 2022 which show the state of the hospital Affairs.

Principal Activities

The Principal activities of the entity are as follows.

OUT PATIENTS SERVICES

- Consultation
- Under five year
- Over five years
- Laboratory services
- MCH
- Immunization
- Antenatal/Postnatal
- Family Planning
- Nutritional Services
- Pharmacy
- INPATIENTS SERVICES
- Maternity
- Inpatients

Result

The result of the entity for the year ended June 30,2022 are set out on page 1

Hospital Management Team

Hospital Management Team was established during the year

Auditors

The auditor is responsible for the statutory Audit of the Hospital in Accordance with Article 229 of the Constitution of Kenya and the public Audit Act 2015

By order of the Hospital Management Team

Signature.........................

Facility in-Charge

XI. Statement 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 Laisamis Level iv Hospital at the end of the financial year/period and the operating results of the entity for that year/period. The Hospital Management committee 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 Hospital Management committee accepts responsibility for the entity's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and). The committee 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, 2022, and of the entity's financial position as at that date. The Hospital management 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.

In preparing the financial statements, the Directors have assessed the Fund's ability to continue as a going concern (disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements) OR

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 on 3rd June 2024 and signed on its behalf by:

………………………………………	………………………………………
Liban Waqo	Dabalen Domini
Chief Executve officer	Accountant

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON LAISAMIS SUB-COUNTY REFERRAL LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2022 - COUNTY GOVERNMENT OF MARSABIT

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 that the Government achieves value for money and that such funds are applied for the intended purpose.

C. Report on Effectiveness of Internal Controls, Risk Management and Governance, which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Laisamis Sub-County Referral Level 4 Hospital – County Government of Marsabit set out on pages 1 to 32, which comprise of the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations, which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Laisamis Sub-County Referral Level 4 Hospital – County Government of Marsabit as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, the County Governments Act, 2012, the Health Act, 2017 and the Marsabit County Health Services Act, 2016.

Basis for Qualified Opinion

1. Inadequate Disclosure of Rendering of Services-Medical Service Income

The statement of financial performance reflects rendering of services-medical services income amount of Kshs.1,053,600 as disclosed in Note 8 to the financial statements. Included in the amount was Kshs.663,600 and Kshs.390,000 in respect of National Health Insurance Fund (NHIF) income and Facility Improvement Financing, respectively. However, the Hospital had not classified the medical service income into streams of income such as pharmaceuticals, laboratory, radiology among others. Further, review of records revealed that Management only recognised the amount received from NHIF of Kshs.663,600 instead of recognising the total amount invoiced to NHIF clients for services rendered. In addition, Management did not provide the schedule of all NHIF claims for the year under review whether paid or outstanding.

In the circumstances, the accuracy and completeness of rendering of services-medical services income of Kshs.1,053,600 could not be confirmed.

2. Undisclosed Property, Plant and Equipment Balance

The statement of financial position reflects a Nil balance on property, plant and equipment. However, review of records revealed that the Hospital had various assets of undetermined value which included land, buildings, furniture, computers and equipment. Further, ownership documents for the land were not provided for audit.

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

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Laisamis Sub-County Referral 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.

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. Non-Compliance with the Public Sector Accounting Standards Board (PSASB) Financial Reporting Guidelines

Review of the financial statements revealed that the statement of comparison of budget and actual amounts was not prepared and included in the financial statements submitted. Further, the Hospital did not disclose in the financial statements, the in-kind contributions from the County Government relating to salaries and wages, pharmaceutical and non-pharmaceuticals supplies from Kenya Medical Supplies Agency (KEMSA) and utility bills. In addition, the accountant who signed the financial statements did not include his Institute of Certified Public Accountants (ICPAK) member's number.

In the circumstances, presentation and disclosure of the financial statements did not comply with the Public Sector Accounting Standards Board (PSASB) Financial Reporting Guidelines.

2. Lack of an Approved Budget

The statement of financial performance reflects receipts and payments for the year under review of Kshs.1,798,600 and Kshs.1,708,586 respectively. However, no budget prepared and approved by the Hospital's Management Committee was provided for audit. This was contrary to Section 7(i) of the Marsabit County Health Services Act, 2016 which states that functions of the Hospital Board shall be to ensure proper planning, budgeting, approval and utilization of the resources envelope.

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

3. Failure to Establish Hospital's Board of Management

Review of records provided revealed that the Hospital did not have a Board of Management during the year under review. This was contrary to Section 5(1) of the Marsabit County Health Services Act, 2016, which states that, there are established Hospital Management Boards and Rural Health Facility Committees whose composition and functions are as prescribed in this Act.

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

4. Non-Compliance with Universal Health Care (UHC) Requirements

Review of the Hospital's operations and records during the year under review revealed that the health facility operated below the set standards as per the Kenya Quality Model for Health Checklist designed for level 4 hospitals. The following deficiencies in implementation of Universal Health Care programme were observed;

(i) There were twelve (12) health workers against the required one hundred and one (101) staff in the expected seven (7) positions, resulting into understaffing of eighty-nine (89) or 88% of medical staff.

(ii) The Hospital had twenty-two (22) in-patient beds against the required one hundred and fifty (150) resulting into deficit of one hundred and twenty-eight (128) beds or 85% of required.

(iii) The Hospital did not have the required functional departments of surgical services, renal dialysis and gynaecology services.

(iv) Further, the Hospital lacked advanced life support, six (6) functional Intensive Care Unit (ICU) beds, six (6) High Dependency Unit (HDU) beds, at least five (5) dialysis machines and two (2) functional operating theatres required for a level 4 hospital.

(v) In addition, the Hospital had two (2) New Born Units with incubators as opposed to five (5) while there was no new born HDU cots against the required five (5).

The deficiencies contravene the First Schedule of Health Act, 2017 and implies that accessing highest attainable standards 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. Further, this contravenes the Kenya Quality Model for Health Policy Guidelines and hindered the realization of the Government program on Universal Health Coverage (UHC).

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Lack of a Procurement Unit

During the year under review, the Hospital lacked a procurement unit responsible for overseeing procurement activities. However, the Hospital procured food and ration, sanitary and cleaning materials, pharmaceuticals and non-pharmaceuticals supplies directly from suppliers without competitive bidding or floating request for quotations. Further, there was no evidence that the supplies were inspected on receipt and subsequently utilized. In addition, the hospital did not provide annual procurement plan for the year under review for audit.

In the circumstances, the economy and effectiveness of procurement controls 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 controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and the Board of Management

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

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

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

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

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Hospital to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Hospital to express an opinion on the financial statements.

- Perform such other procedures, as I consider necessary in the circumstances.

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and 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

21 June, 2024

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

Description	Note	2021/2022 Kshs	2020/2021 Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	6	745,000	
In Kind Contributions from The County Government	7	-	
Total Revenue from non-exchange transactions		**745,000**	
Revenue from exchange transactions			
Rendering of services- Medical Service Income-nhif	8	1,053,600	
Total Revenue from exchange transactions		**1,053,600**	
Total revenue		**1,798,600**	
Expenses			
Medical/Clinical costs	9	1,479,057	
Employee costs	10	23,420	
General expenses	11	206,109	
Total expenses		**1,708,586**	
Net Surplus / (Deficit) for the year		**90,014**	

The Hospital's financial statements were approved by the HMT on 3rd June 2024 and signed on its behalf by:

Chief Executive Officer

Head of Finance
ICPAK NO

Medical Superintendent

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

Description	Note	2021-2022	2020/2021
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	12	98,083	
Receivables from exchange transactions	13	-	
Inventories	14	-	
Total Current Assets		**98,083**	
Non-current assets			
Property, plant, and equipment	15	-	
Intangible assets	16	-	
Total Non-current Assets		-	
Total assets		**98,083**	
Liabilities			
Current liabilities		-	
Trade and other payables	17	-	
Total Current Liabilities		-	
Total Liabilities		-	
Net assets		**98,083**	
Reserves		8,069	
Accumulated surplus/Deficit		90,014	
Total Net Assets and Liabilities		**98,083**	

The Hospital's financial statements were approved by the HMT on 3rd June 2024 and signed on its behalf by:

....

Chief Executive Officer

Head of Finance
ICPAK NO

Medical Superintendent

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

Description	Reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2020				
Reserve				
Surplus/*(deficit)* for the year				
Capital/Development grants				
As at June 30, 2021				
At July 1, 2021				
Reserve	8,069			**8,069**
Surplus/(deficit) for the year		90,014		**90,014**
Capital/Development grants				
At June 30, 2022	**8,069**	**90,014**		**98,013**

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

Description	Note	2021/2022 Kshs	2020/2021 Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government		745,000	
Rendering of services- Medical Service Income-Nhif		1,053,600	
Total Receipts		**1,798,600**	
Payments			
Medical/Clinical costs		1,479,057	
Employee costs		23,420	
Hospital Management Expenses		-	
General Expenses		206,109	
Total Payments		**1,708,586**	
Net cash flows from operating activities	18	**90,014**	
Net cash flow from investing Activities		-	
Purchase of Property,plant and Equipment		-	
Proceeds from Sale of PPEs		-	
Acquisition of investment		-	
Net increase/(decrease) in cash and cash equivalents		**90,014**	
Cash and cash equivalents as at 1 July2021		8,069	
Cash and cash equivalents as at 30 June2022		**98,083**	

XVII. Statement of Comparison of Budget and Actual Amounts for Year Ended 30 Jun 2022

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Transfers from the County Government	0	0				100%
Grants from donors and development partners						%
Transfers from other Government entities						%
Public contributions and donations						%
Rendering of services- Medical Service Income						100%
Revenue from rent of facilities						%
Finance / interest income						%
Miscellaneous receipts (*specify)*						%
Total income						%
Expenses						100%
Medical/Clinical costs						100%
Employee costs						%
Remuneration of directors						%
Repairs and maintenance						%
Grants and subsidies						%
General expenses						100%
Finance costs						%

Refunds						%
Surplus for the period						%
Capital expenditure						%

XVIII. Notes to the Financial Statements

1. General Information

Laisamis sub county referral hospital is established by and derives its authority and accountability from Government Act. The entity is wholly owned by the Marsabit County Government and is domiciled in Marsabit County in Kenya. The entity's principal activity is .

2. Statement of Compliance and Basis of Preparation

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

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

l) Standard	Effective date and impact
m) IPSAS 41: Financial Instruments	Applicable: 1st January 2023 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. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
n) IPSAS 42: Social Benefits	Applicable: 1st January 2022 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess: (a) The nature of such social benefits provided by the Entity. (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows. o)
p) Amendments	Applicable: 1st January 2022

i)	Standard	Effective date and impact
	to Other IPSAS resulting from IPSAS 41, Financial Instruments	Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. 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. q)
r)	Other improvements to IPSAS	Applicable 1st January 2022 IPSAS 22 Disclosure of Financial Information about the General Government Sector. Amendments to refer to the latest System of National Accounts (SNA 2008). IPSAS 39: Employee Benefits Now deletes the term composite social security benefits as it is no longer defined in IPSAS. IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023. s)
IPSAS 43		Applicable 1st January 2025 The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non-Current Assets Held for Sale and		Applicable 1st January 2025 The Standard requires:- t) Assets that meet the criteria to be classified as held for sale to be

i) Standard	Effective date and impact
Discontinued Operations	measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: *u)* 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.

v)

ii) **Early adoption of standards**

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

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. s.

ii) Revenue from exchange transactions

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

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

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

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

b) Budget information

The original budget for FY 2022 was approved by Board on Hospital Management Team. 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 ***Laisamis subcounty Hospital*** on the FY 2022 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 on page ***xxx*** under section ***xxx*** of these financial statements.

c) Taxes

Sales tax/ Value Added Tax

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

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

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

Notes to the Financial Statements (Continued)

d) Investment property

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

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

e) Property, plant and equipment

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

Notes to the Financial Statements (Continued)

f) Leases

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

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

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

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

g) Intangible assets

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

Notes to the Financial Statements (Continued)

h) Research and development costs

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:
The technical feasibility of completing the asset so that the asset will be available for use or sale
Its intention to complete and its ability to use or sell the asset
The asset will generate future economic benefits or service potential
The availability of resources to complete the asset
The ability to measure reliably the expenditure during development.
Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

i) Financial instruments

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

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

Notes to the Financial Statements (Continued)
Financial assets

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

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

Amortized cost

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

Notes to the Financial Statements (Continued)

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

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

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

Notes to the Financial Statements (Continued)

j) Inventories

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

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

Raw materials: purchase cost using the weighted average cost method.

Finished goods and work in progress: cost of direct materials and labour, and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

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

k) Provisions

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

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

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

l) 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.

m) 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.

n) 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.

o) Related parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the *Entity*, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO/principal and senior managers.

Notes to the Financial Statements (Continued)

p) 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.

q) 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.

r) Comparative figures

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

s) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:
The condition of the asset based on the assessment of experts employed by the Entity.
The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
The nature of the processes in which the asset is deployed.
Availability of funding to replace the asset.
Changes in the market in relation to the asset.
Provisions
Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Notes to Financial Statements Continued

6. Transfers from The County Government

Name of the Entity sending the grant	Amount recognized to Statement of financial performance* KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	Comparative Period KShs
Transfer from the County Government	745,000.00	0.00	0.00	745,000	0.00
Total					

7. In Kind Contributions from The County Government

Description	2021/2022 KShs	2020/2021 KShs
Salaries and wages	-	-
Medical supplies-Drawings Rights (KEMSA)	-	-
Pharmaceuticals and Non-Pharmaceutical Supplies (other suppliers)	-	-
Utility bills		
Total grants in kind		

Notes to Financial Statements Continued

8. Rendering of Services-Medical Service Income

Description	2021/2022	2020/2021
	Kshs	Kshs
Pharmaceuticals		
Non-Pharmaceuticals		
Laboratory		
Radiology		
Orthopedic and Trauma Technology		
Theatre		
Accident and Emergency Service		
Anesthesia Service		
Ear Nose and Throat service		
Nutrition service		
Cancer centre service		
Dental services		
Reproductive health		
Paediatrics services		
Farewell home services		
Other medical services income -NHIF	663,600	
Facility Improvement Financing	390,000	
Total revenue from the rendering of services	**1,053,600**	

Notes to the Financial Statements (Continued)

9. Medical/ Clinical Costs

Description	2021/2022 Kshs	2020/21 Kshs
Dental costs/ materials		
Laboratory chemicals and reagents	161,700	
Public health activities		
Food and Ration	1,175,377	
Uniform, clothing, and linen		
Dressing and Non-Pharmaceuticals		
Pharmaceutical supplies		
Health information stationery		
Reproductive health materials		
Sanitary and cleansing Materials	141,980	
Purchase of Medical gases		
X-Ray/Radiology supplies		
Other medical related clinical costs (*specify*)		
Total medical/ clinical costs	**1,479,057**	

10. Employee Costs

Description	2021/2022 Kshs	2020/2021 Kshs
Salaries, wages, and allowances	23,420	
Contributions to pension schemes		
Service gratuity		
Performance and other bonuses		
Staff medical expenses and Insurance cover		
Group personal accident insurance and WIBA		
Social contribution		
Other employee costs *(specify)*		
Employee costs	**23,420**	

11. General Expenses

Description	2021/2022	2020/2021
	Kshs	Kshs
Printing and Stationaries	180,109	
Catering expenses	0	
Electricity expenses	0	
Bank charges	4,800	
Telephone & Mobile Services	21,200	
Total General Expenses	**206,109**	

12. Cash and Cash Equivalents

Description	2021/2022	2020/2021
	KShs	KShs
Current accounts	98,083	
On - call deposits		
Fixed deposits accounts		
Cash in hand		
Others(*specify*)- Mobile money		
Total cash and cash equivalents	**98,083**	

12 (b) Detailed Analysis of Cash and Cash Equivalents

Description		2021/2022	2020/2021
Financial institution	Account number	KShs	KShs
w) Current account			
Kenya Commercial bank		98,083	
Equity Bank, etc			
Sub- total			
x) On - call deposits			
Kenya Commercial bank			
Equity Bank – etc			
Sub- total			
y) Fixed deposits account			
Bank Name			
Sub- total			
z) Others(specify)			
cash in hand			
Mobile money- Mpesa, Airtel money			
Sub- total			
Grand total		**98,083**	

13. Receivables from Exchange Transactions

Description	2021/22	2020/2021
	KShs	KShs
Medical services receivables	-	
Rent receivables	-	
Other exchange debtors	-	
Less: impairment allowance		
Total receivables	-	

Analysis of Receivables from Exchange Transactions

Description	2021/2022		2020/21	
	Kshs		Kshs	
	2021/2022	% of the total	2020/2021	% of the total
Less than 1 year		%		%
Between 1- 2 years		%		%
Between 2-3 years		%		%
Over 3 years		%		%
Total (a+b)		%		%

14. Inventories

Description	2021/2022	2020/2021
	KShs	KShs
Pharmaceutical supplies	-	
Maintenance supplies		
Food supplies		
Linen and clothing supplies		
Cleaning materials supplies		
General supplies		
Less: provision for impairment of stocks		
Total		

Notes to the Financial Statements (Continued)
15. Property, Plant and Equipment

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
Cost								
At 1 July 2020(previous year)								
Additions								
Disposals								
Transfers/adjustments								
At 30th Jun 2021								
At 1 July 2021(current year)								
Additions								
Disposals								
Transfer/adjustments								
At 30th Jun 2022								
Depreciation and impairment								
At 1 July 2020(previous year)								
Depreciation for the year								

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

Notes to the Financial Statements (Continued)

16. Intangible Assets-Software

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

Notes to the Financial Statements (Continued)

17. Trade and other Payables

Description	2021/2022		2020/2022	
	KShs		KShs	
Trade payables				
Employee dues				
Third-party payments (e.g. unremitted payroll deductions)				
Audit fee				
Doctors' fee				
Total trade and other payables				
Ageing analysis:	Current FY	% of the Total	Comparative FY	% of the total
Under one year		%		%
1-2 years		%		%
2-3 years		%		%
Over 3 years		%		%
Total		%		%

18. Cash Generated from Operations

Description	2021/2022	2020/2021
	KShs	KShs
Surplus for the year before tax	90,014	
Adjusted for:		
Depreciation		
Non-cash grants received		
Impairment		
Gains and losses on disposal of assets		
Contribution to provisions		
Contribution to impairment allowance		
Working Capital adjustments		
Increase in inventory		
Increase in receivables		
Increase in deferred income		
Increase in payables		
Increase in payments received in advance		
Net cash flow from operating activities	**90,014**	

XIX. Appendices

Appendix 1: Progress on Follow Up of Auditor Recommendations

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

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

Guidance Notes:

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

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Accounting Officer

Appendix II: Projects Implemented by The Entity

Projects

Projects implemented by the Hospital Funded by development partners

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

Status of Projects completion

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

Appendix III: Inter-Entity Confirmation Letter

The *[insert SC/SAGA/Fund name here]* wishes to confirm the amounts disbursed to you as at 30th June 2022 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by [Insert name of beneficiary entity] as at 30th June 2022							
		Amounts Disbursed by [SC/SAGA/Fund] (KShs) as at 30th June 2023				Amount Received by [beneficiary entity] (KShs) as at 30th June 20XX (E)	
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Inter–Ministerial (C)	Total (D)=(A+B+C)		Differences (KShs) (F)=(D-E)
Total							

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

Head of Accounts Department of the beneficiary entity:

Name ……………………………………….. Sign ……………………………Date ………………__________

Appendix IV Reporting of Climate Relevant Expenditures

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