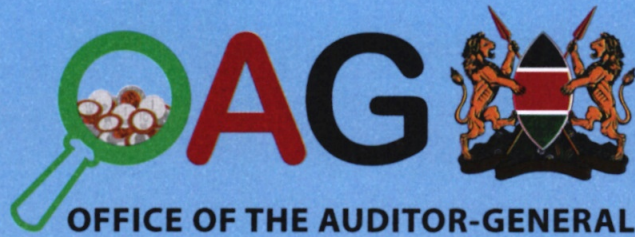
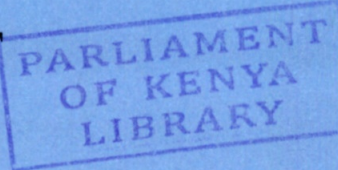


REPUBLIC OF KENYA



Enhancing Accountability

REPORT



PAPERS LAID	
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COMMITTEE	—
CLERK AT THE TABLE	Carolyne Chorp

OF

THE AUDITOR-GENERAL

ON

NYANGIELA LEVEL 4 HOSPITAL

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

COUNTY GOVERNMENT OF HOMA BAY



**NYANGIELA LEVEL 4 HOSPITAL
(Homa Bay County Government)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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



Nyangiela Level 4 Hospital (Homa Bay County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

Table of Contents

1. Acronyms & Glossary of Terms.....	iii
2. Key Entity Information and Management.....	iv
3. The Board of Management.....	vii
5. Chairman's Statement.....	x
6. Report of the Medical Superintendent.....	xi
I. PERFORMANCE OVER VIEW	xi
7. Statement of Performance Against Predetermined Objectives.....	xiii
8. Corporate Governance Statement	xvii
I. Management Discussion and Analysis	xvii
II. Environmental and Sustainability Reporting	xvii
9. Management Discussion and Analysis.....	xxi
10. Environmental and Sustainability Reporting	xxii
11. Report of The Board of Management.....	xxiv
12. Statement of Board of Management's Responsibilities.....	xxv
13. Report of the Independent Auditor on the financial statements of Nyangiela Level IV Hospital	xxvii
14. Statement of Financial Performance for The Year Ended 30 June 2022.....	1
15. Statement of Financial Position as of 30 th June 2022	2
16. Statement of Changes in Net Asset for The Year Ended 30 June 2022	3
17. Statement of Cash Flows for The Year Ended 30 June 2022.....	4
18. Statement Of Comparison of Budget and Actual Amounts For The Year Ended 30 June 2022	5
19. Notes To the Financial Statements.....	6

1. Acronyms & Glossary of Terms

CSR	Corporate Social Responsibility
PFMA	Public Financial Management Act
HAO	Health Administrative Officer
MED- SUP	Medical Superintendent
NO I/C	Nursing Officer In charge
UHC	Universal Healthcare
HMT	Health Management Team

2. Key Entity Information and Management

(a) Background information

NYANGIELA LEVEL 4 HOSPITAL is a level 4 hospital established under gazette notice No 786 4th February 2020 and is domiciled in Homabay County. The hospital is governed by a Hospital Management Committee

(b) Principal Activities

The principal activity/mission/ mandate of the *hospital* is to provide efficient and effective health care services to the community and any other client within and without Homabay county.

(c) Key Management

The hospital’s 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 30th June 2022 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Medical Superintendent	Mr Silas Mado
2.	Health Administrative Officer	Mrs Vivian Amadi
3.	Director Nursing Services (NO I/C)	Mrs Effy Amatta
4.	Head of finance/Accounts	-

(c) Fiduciary oversight Arrangement

Increasingly, hospitals and health systems, along with the individuals serving in their committees and governing boards, are seeing the need for prudent oversight of their organizations. Due to a rising number of lawsuits, trustees need to ensure that their organizations are taking proactive steps to protect their organizations and themselves. Nyangiela Level 4 Hospital, being a government entity has formed various committees to ensure robust fiduciary oversight.

I. Curative Committee

The Curative committee is responsible for overseeing policies and procedures related to all aspects of medicines and other HPT use. Curative Committee is formed to improve diagnosis and treatment processes through proper dispensing of medicines. Its importance appears in different aspects such as

drug selection process, cost-effectiveness, and control of drug losses. It has shown an important role in promoting, controlling and educating activities of rational drug use.

Members are:

- Medical Superintendent) – Chairperson
- Pharmacist) Pharmacy in charge– Secretary
- Clinical officer in charge
- Nursing Officer in charge
- Lab In charge
- Hospital Administrator
- Two Board Members

II. Infection and Prevention Committee

This committee looks into infection prevention on all department

- Lab In charge –Chair
- One Clinician-Secretary
- Two Nurses

III. Catering Committee

This committee looks at nutrition for the patients

- Nutritionist –Chair
- Administrator-Secretary
- Nursing officer incharge

IV. Hospital finance Committee

Gives oversight on financial management in the facility

- Two Board member nominated and one to chair
- Administrator
- Nursing Officer
- Accountant

Key Entity information and Management

(d) Entity Headquarters

Homabay County
P.O. Box 42-40222
Isolated Land
OYUGIS

(e) Entity Contacts

Telephone: 0722576521
E-mail: Nyangiela11@gmail.com

(f) Entity Bankers

KCB BANK
OYUGIS BRANCH
P.O. Box 42-40222
Kenya

(g) Independent Auditors

Auditor General
Office of Auditor General
Homabay County, Kenya



(h) Principal Legal Adviser




The Attorney General
State Law Office
Homabay County, Kenya

(k) County Attorney General




P.O Box
Homabay Kenya

3. The Board of Management

Ref	Directors	Details
1.	Josha Osiare 	Board Chair Retired PI Teacher
2.	Mr Silas Mado 	Medical Superintendent Diploma In Clinical Medicine
3.	Mr. George Odhiambo Konguru	Member of the Board representing people with disability

		
4.	<p>Mrs. Rose Anyango</p> 	<p>Member of the board representing women Form Four</p>
5.	 <p>Collince Orwa</p>	<p>Represents the Community Based Organization.</p>

4.Key Management Team

Name	Details of qualifications and experience
<p>1. MR Silas Mado</p> 	<ul style="list-style-type: none"> - Facility Incharge - Diploma in Clinical Medicine
<p>2. MRS. Effy Amatta</p> 	<ul style="list-style-type: none"> -Senior nurse -Diploma in Nursing
<p>3. MRS. Vivian Amadi</p> 	<ul style="list-style-type: none"> -Senior Administrator -Diploma in Finance Business -5 years' Experience as Hospital Administrator

5. Chairman's Statement

It's my pleasure to present the Annual Report and financial statements of Nyangiela level 4 Hospital. Once again, the Hospital has demonstrated its commitment to centralized specialized health care services to all Kenyans citizens in the region that spans to counties in south Nyanza and western Kenya.

Management and operations of the hospital is guided by the existing legal policies and institutional frameworks that govern the health sector to ensure efficient and effective delivery of services in the hospital. The hospitals operations are also influenced by various global, regional and national strategies aimed at promoting, restoring and maintaining the health care service delivery.

In terms of corporate governance, the board of management carried out its mandate diligently and with focus to steer Nyangiela Hospital to achieve its mission. The Board of management consists the right balance of skills, experience and backgrounds to support and challenge the management team.

On behalf of the Board of management, I would like to extend my appreciation to all our stakeholders and development partners for the continued support that has enabled Nyangiela Hospital realize its mandate. I would also like to thank Nyangiela Hospital management and staff for their commitment and dedication that ensured the highest quality service delivery and improved performance this financial year.

Finally, I would like to express my sincere gratitude to my fellow Board Members, for their dedication and hard work during the year. I would also like to take this opportunity to applaud the Facility in charge, for creating synergy and leading the management team and all staff to greater achievement.

Signed: _____

Chairman BOM

Joash Osiare



6. Report of the Medical Superintendent

The performance review for financial year 2021/2022 provides us another opportunity to reflect on the gains made and opportunities for improvement towards continuous provision of quality, timely and cost effective and patient-centred specialised healthcare services. Nyangiela level 4 C Hospital maintained steady growth throughout the year attributed to increased activity levels with a majority of the areas exceeding the targeted performance.

The Hospital has a robust financial management system that is based on the existing government financial management rules and regulations, Public Finance Management (PFM) act 2012, International Public Sector Accounting Standards (IPSAS) and International Financial Reporting Standard (IFRS).

I. PERFORMANCE OVER VIEW

The Hospital provides a comprehensive performance and contributions towards achieving the departmental programs objectives and at the end of the financial year it contribute highly to the achievement the Homabay county department of Health Vision.

Entity Main Objective.

The hospital is entrusted with the responsibility of ensuring the provision of quality healthcare services to its residents.

Sub Objectives

- Eliminating communicable conditions,
- Halting and reversing the rising burden of non-communicable conditions,
- Reducing the burden of violence and injuries.
- Providing essential health services,
- Minimizing exposure to health risk factors.
- Strengthening collaboration with private and other sectors.

These Objectives are well highlighted in Kenya's epidemiological profile

Summary of Achievements:

This report gives most significant achievements in Nyangiela Hospital during the fiscal year with milestones such as:

- a) **Availability of Health Commodities for healthcare services:** This has been achieved by ensuring constant Procurement of drugs, Non-pharmaceuticals, Lab Reagents, Sanitary items balanced patient Ration to the patients seeking healthcare services in the hospital.
- b) **Promoted healthy behaviours** The department has launched several initiatives to promote healthy behaviours in the community, including a campaign to discouraging gender based Violence, VCT Services, effects of alcohol addiction, regular exercise and healthy eating, and providing friendly environment for youth friendly and MAPS service uptake areas within the hospital to encourage them to come to the facility for uptake of the services, to achieve this goal, the hospital has constantly engaged CHVs for mobilization and community dialog and encouraging community to enroll on NHIF.
- c) **Improved maternal and child health:** This is achieved by encouraging mothers through CHVs to take advantage of LINDA MAMA, increase attendance of MCH services and increase of immunization rate. And also renovating maternity ward and paediatric ward.

d) **Strengthened partnerships:** The Hospital has fostered strong partnerships with partners, and local organization to improve health outcomes and reduce health disparities especially in the area of malaria, HIV and TB control and treatment.

Challenges and Mitigation Measures:

- a) Low uptake of health services due to poor health seeking behaviour in community; I
- b) Low uptake of NHIF/insurance in the catchment
- c) Investment towards curative and rehabilitative services at the expense of preventive and promotive services.
- d) Lack of infrastructure and personnel like nurses, medical doctors and lab technologists which affect services deliveries.

Mitigation Measures:

To address these challenges, the following measures are put in place

- a) Community outreaches and sensitization on the availability of telemedicine services for children in the facility, this is to be done by CHVs and the facility to facilitate
- b) Encouraged use of home-based care services.
- c) Strengthening of community-based care services especially in schools, churches, or community centres; adoption of integrated care models for patients who have chronic conditions or require ongoing rehabilitation; ensuring patient education and empowerment.
- d) Employing technical staff on contract/locum basis to address acute shortage of nurses and lab technologies.

I take this opportunity to acknowledge the support of The Homabay County Government, and Development partners. Many thanks to the chairman and Members of the Board for their strategic guidance and support. I wish to also register my appreciation to all stakeholders.

Mr Silas Mado



Medical Superintendent



7. Statement of Performance Against Predetermined Objectives

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

Nyangiela Hospital has Five Objectives within the current CIDP of the Homa Bay County Government they are as follows;

OBJECTIVES

1. To strengthen the human resource capacity
2. To offer quality healthcare services under one roof in a most effective and efficient for the satisfaction of the customer.
3. Modernize infrastructure machinery and equipment.
4. To attain financial sustainability
5. To develop the facility health management information system.

Nyangiela Hospital develops its annual work plans based on the above 5 objectives. Assessment of the Board's performance against its annual work plan done on a quarterly basis. The County Hospital achieved its performance targets set for the FY 2021/2022 period for its strategic pillars, as indicated in the table below:

Pillar- To Provide Integrated Accessible and Quality Healthcare Services Through Effective and Efficient Infrastructure, Training Research and Partnership.	1. To offer quality Health Services under one roof in a most effective and efficient to the satisfaction of the customer.	-To reduce referrals to other facilities. -To offer diversity in services offered by MSCH. -To fast-track efficiency and	-Establish quality healthcare standards. (accreditation) -Strengthen client follow up mechanism and systems (Referral	-Improved quality of healthcare. -Expanded client base. -Improved facility reputation. -Strengthened partnership
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Nyangiela Level 4 Hospital (Homa Bay County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

		staff satisfaction with modern facility.	clinics established). -Strengthen partnership with communities, public and private sectors. -Initiate provider driven insurance.	with communities, public and private sector.
	2. Modernise infrastructure, machinery and equipment	-To develop an infrastructure master plan. - Fully equip the facility.	-To develop a master plan. -Obtain equipment and maintain through the MESS program.	-All our clients are able to receive services irrespective of mode of healthcare financing.
	3. To attain financial sustainability	-Cost-benefit analysis. -Enhance internal control systems. - Diversification	-Conduct market survey for costing of commodities -Incorporating various modes of revenue	-Improved service delivery. -Improved staff retention.

Nyangiela Level 4 Hospital (Homa Bay County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

		of revenue generation streams.	generation cash and N.H.I.F -Upgrade health management system to improve internal control and hence revenue collection.	
	4. To strengthen the human resource capacity.	-Full potential and optimal utilization of staff. -To enhance Hospital performance by training and motivation of staff. -Upscale leadership and management for increased performances. -Focus on partnership	Keep staff informed of any development in the hospital through circulars and holding regular meetings. Holding weekly continuous medical education.	-Efficient data collection, management and dissemination. -Improved diagnosis and treatment. -Improved access to relevant health infrastructure and data.

Nyangiela Level 4 Hospital (Homa Bay County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

		with other Health Service Providers for technical support.		
	5. To develop facility Health Management Information System.	<ul style="list-style-type: none"> -Up scaling quick and efficient service delivery. -ICT systems in place. -Build staff ICT capacity. -Improve access to ICT materials. 	<ul style="list-style-type: none"> -Upgrade ICT systems. -Build staff ICT capacity by training. -Improve access to IEC materials. 	

8. Corporate Governance Statement

The Hospital of management have responsibilities, Functions, structures and ethical conduct. In addition to this, their major priority is ensuring excellent service delivery to patients.

Role of the Board

The responsibility of driving good corporate governance and stewardship of the Hospital is vested in the board. The board through its committees provide strategic direction while the Medical Superintendent assisted by the Executive Management Committee is accountable to the Board for implementing the strategy.

I. Management Discussion and Analysis

Clinical performance

During the financial year ending 30th June 2022, Nyangiela Level 4 Hospital continued to offer specialized medical care by attending to over 10,000 patients..

Reproductive Health

A total of 200 deliveries were conducted during the year under review. This is attributed mainly to increased referrals from sub counties and nearby counties, in need of specialized maternity services and the support from the Government of Kenya through the Linda Mama Scheme, which has allowed mothers to deliver at Nyangiela Hospital without having to personally incur any cost.

II. Environmental and Sustainability Reporting

The Hospital exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

i) Sustainability strategy and profile

As a Sub county hospital, we recognize that we must conduct our operations in a manner that considers the environmental and social impact to ensure that success and longevity of the business. We are committed to being transparent, candid, and open about our operations.

At Nyangiela Hospital we have a pragmatic approach to sustainability; we focus on identifying and putting into practice initiatives and programs that deliver real world and lasting benefits to all our stakeholders.

Engaging with our stakeholders informs our decision making, strengthened our relationship and helps us deliver our commitments and success as an entity. In order to achieve these goals, we recognize that we must work in partnership with other interested stakeholders in who share our commitment and have a stake in our entity.

We actively engage with Government, regulators, customers, suppliers, investors and individual citizens to create an environment that is supportive of solutions.

ii) Environmental performance

In our offices and clinical areas, we continue encouraging employees to help reduce energy consumption by switching of their computers and lights at the end of the day.

As part of adopting energy efficient technology, we have a microwave incinerator that helps with waste management.

In packaging of medicine, we use environmentally friendly bags. In medical waste we are using bags which are clearly marked for clinical waste, bottles, leftover food, staffs are also provided with personal protective equipment

iii) Employee welfare

The Hospital staff are employed and remunerated by the Homabay County Government. With recruitment policy of at least a third is not of more than one gender.

Policy guiding hiring process

Every department prepares Human Resource Plans to support achievement of goals and objectives in their strategic plans. The plans are based on comprehensive job analysis and are reviewed every year to address emerging issues and staffing needs.

On the basis of these Human resource plans, departments develop annual recruitment plans which are forwarded to the County Public Service Board at the beginning of each financial year to enable it plan to fill vacancies.

Departments through the County Public Service Board will advertise all vacant posts in a manner that reaches the widest pool of potential applicants.

Recruitment is undertaken on the basis of fair competition and merit, representation of Kenyans diverse communities, adequate and equal opportunities to all gender, youth, members of all ethnic groups, persons with disabilities and minorities.

Efforts made in improving skills and managing careers

Training and capacity building in the County's Public Service is key towards improving skills and managing career progression.

Training Needs Assessment is a performance audit that generates and provides information to assess the inadequacy of knowledge and skills which inhibits an organisation from attaining its objectives.

Training in the County's Public Service is based on Training Needs Assessment which are conducted in each department.

Departments are required to prepare training projections based on Training Needs Assessment to guide in the nomination of officers for training.

Selection of trainees for all training programmes are based on identified needs and normally emphasises on training for performance improvement.

Training programmes comprise both short- and long-term courses in specific professions that are intended to impart required knowledge, skills and attitudes to enhance staff performance.

The County continually develops its employee's professional knowledge and skills and encourage them to join relevant professional bodies. The County establishes mechanisms for supporting employees where the career guidelines require them to be members of a professional body.

For new staff who have joined the County, Induction Training is expected to help them familiarise with the work environment and requirements. Departments are expected to conduct induction training within three (3) months for newly recruited officers and those joining the departments on transfers, promotions and re-designation.

Appraisal and reward system

Staff Performance Appraisal System is predicated upon the principles of work planning, setting of agreed performance targets, feedback and reporting. Appraisal systems are also linked to other human resource systems and processes including staff development, career progression, placement, rewards and sanctions.

Prior to the beginning of the performance appraisal period, departments prepare work plans based on their strategic plans. The departments work plans includes the departmental priorities objectives from which individual performance targets will be derived.

Employee's individual work plans will be derived from the departmental work plans and officers job description.

The appraisals period covers one (1) year starting 1st July to 30th June of the following year. The performance appraisal reflects the summation of the year's performance including quarterly and mid-year reviews.

Reward System

Exemplary performance is rewarded through incentives, promotions, recognition of major improvements, training.

Policy on safety and compliance with occupational safety and health Act of 2007, (OSHA)

Employees are protected from accidents and occupational hazards arising at the work place. Measures to prevent and mitigate against accidents at work place, explosions, fire, floods, earthquakes, both threats. Through provision of First aid kits, fire protection, fire fighting and demonstration, providing fire assembly areas, emergency preparedness in such events.

- Fire protection and protection in buildings
- No hazardous or highly inflammable materials should be stored in buildings
- Fire fighting equipment should be placed in strategic places
- Provision of protective equipment and clothing
- Medical examination
- Compensation of officers in case of injury at work

iv) Market place practices-

Responsible Supply chain and supplier relations

Nyangiela has suppliers that supply goods and services. We manage contracts and engage multiple service providers for our operations. Our own reputation as service providers is always a top priority. For that reason, we are focused on ensuring our suppliers comply with best practices and adhere to our contract agreement for all services and goods offered.

v) Corporate Social Responsibility Statement

As a way of creating awareness on health seeking behaviour and encourage early diagnosis and treatment, Nyangiela Hospital conducts clinical outreaches in the community within its catchment area.

9. Management Discussion and Analysis

The management used tables to make the information user friendly. The information does not show a comparison with the previous years because it is the first time the Hospital management is preparing financial statements under the accrual system.

Clinical Performance

Nyangiela Level IV Hospital provides a wide range of highly specialized healthcare services to Kenyans, patients from Homabay County and across the neighboring counties. Specialized services include, special outpatient clinics, inpatient care, day care procedures for surgery, ophthalmology, dental amongst other services. The hospital also provides clinical support services that include laboratory and pharmacy.

Overall patient attendance

The average patient attendance for the year 2021/2022 was 14,469 out patients .There was a sharp in the in-patients compared to the year 2020/ 21. This was attributed to the effect of the reduced covid19 pandemic.

Average Length of Stay

The average length of stay (ALOS) is an indicator of efficiency in the provision of inpatient health care in the hospital. Generally, the average length of stay in the hospital has been falling (between 2020/21 to 2021/22).

Mortality Rate

During the period under review, the death rate averaged 5%. This is attributed to the critically ill patients referred to and managed in the hospital.


Mr Silas Mado

Medical Superintendent



10. Environmental and Sustainability Reporting

Nyangiela Level IV County Hospital exists to transform lives of human beings and their environment. This is 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.

Sustainability strategy and profile

The top management especially the accounting officer refers to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failure.

vi) Environmental performance

The organization has environmental policy in the county environment department guiding the organisation. The hospital also manages its waste within the facility through public health in collaboration with department of environment. During the year the facility has done maintenance for the existing incinerator.

vii) Employee welfare

The hospital implements policies guiding the hiring process and whether they take into account the gender ratio, stakeholder engagements and how often they are improved. It also ensures that employees are supported in improving skills and managing knowledge at work. The organisation has in place a policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA.)

viii) Market place practices-

a) Responsible competition practice.

The organisation ensures responsible competition practices with fair competition, and respect for competitors by competitively awarding contract.

b) Responsible Supply chain and supplier relations

The management maintains good business practices, and treats its own suppliers responsibly by honouring contracts and respecting payment practices.

c) Responsible marketing and advertisement

The hospital maintains ethical marketing practices.

iv) Corporate Social Responsibility / Community Engagements

The hospital management has from time to time provided waivers and exemptions to patients who are not able to pay hospital bills based on investigations and report done by social services department as stated in the waiver policy. The hospital has ongoing patient follow ups within the community plus community sensitization on environmental issues through its arm of public health.

11. Report of The Board of Management

The Board of Management submit their report together with the audited financial statements for the year ended June 30, 2022, which show the state of the Hospital's affairs.

a) Principal activities

The principal activities of the Hospital are:

- i. Provide financial resources for medical supplies, rehabilitation and medical equipment for health facilities in the Hospital.
- ii. Support capacity building in the management of the Hospital
- iii. To give decision making autonomy to the Hospital management committees, to plan and manage the resources within their control
- iv. To improve the quality of health care services in the Hospital

b) Results

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

c) Auditors

The Auditor General 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 Board



Secretary to the Board

Date 14/06/2024



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 Nyangiela Level 4 Hospital, which give a true and fair view of the state of affairs of the hospital at the end of the financial year and the operating results of the hospital for that year. The Board of Management is also required to ensure that Nyangiela Level 4 Hospital keeps proper accounting records, which disclose with reasonable accuracy the financial position of the hospital. The board members are also responsible for safeguarding the assets of the Nyangiela Level 4 Hospital.

The Board of Management is responsible for the preparation and presentation of the hospital financial statements, which give a true and fair view of the state of affairs of the hospital for and as at the end of the financial year 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 hospital
- (iv) 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 hospital'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 hospital's financial statements give a true and fair view of the state of Nyangiela Level 4 Hospital's transactions during the financial year ended June 30, 2022, and of the hospital's financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the hospital, which have been relied upon in the preparation of

Nyangiela Level 4 Hospital (Homa Bay County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

the hospital'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 hospital will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Hospital's financial statements were approved by the Board on

14/06/2023 and
[Signature]

signed on its behalf by:

Mr. Joash Osiare
Chairperson
Board of Management

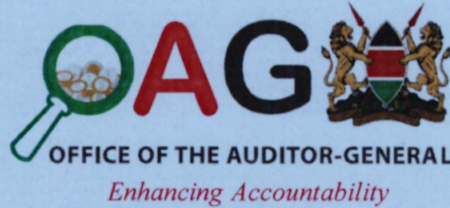
[Signature]

[Signature]
Mr. Silas Mado
Accounting Officer



REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON NYANGIELA LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2022 - COUNTY GOVERNMENT OF HOMA BAY

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on the 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, risk management environment and 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 Nyangiela Level 4 Hospital - County Government of Homa Bay set out on pages 1 to 30, which comprise the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison

Report of the Auditor-General on Nyangiela Level 4 Hospital for the year ended 30 June, 2022 - County Government of Homa Bay

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 effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Nyangiela Level 4 Hospital – County Government of Homa Bay as at 30 June, 2022 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and the Public Finance Management Act, 2012, the County Governments Act, 2012 and the Health Act, 2017.

Basis for Qualified Opinion

Doubtful Ownership and Non-Valuation of Property, Plant and Equipment

The statement of financial position reflects a balance of Kshs.3,774,116 in respect to property, plant and equipment and as disclosed in Note 9 to the financial statements. However, the hospital did not have title deed for the land on which it is built, although it was donated by the community and the logbook for the ambulance donated by the Kasipul Kabondo CDF in the year 2015 in its possession. Additionally, the entire class of the property, plant and equipment had not been valued by a professional valuer to depict the current market values.

In the circumstances, the accuracy, ownership and completeness of the property, plant and equipment balance of Kshs.3,774,116 could not be confirmed.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Nyangiela Level 4 Hospital Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.2,630,000 and Kshs.2,511,700 respectively resulting to an under-funding of Kshs.118,300 or 4 % of the budget. However, the Hospital spent an amount of Kshs.2,298,643 against actual revenues of Kshs.2,511,700 resulting to an under-utilization of Kshs.213,057 or 9%.

The under-funding and under-utilization affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and 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. Inadequate Staffing

Review of the Hospital's staffing in comparison with the recommended staffing as per the checklist designed for Level 4 hospitals revealed the following variances as indicated below:

Criteria	Minimum Required	Number Confirmed	Variances
Staffing Requirement			
Medical Officers	16	0	16
Anesthesiologists	2	0	2
General Surgeons	2	0	2
Gynecologists	2	0	2
Pediatricians	2	0	2
Radiologists	2	0	2
Registered Community Health Nurses	75	7	68

In the circumstances, quality of the health services offered at the facility may not be up to the required standards.

2. Lack of Provision of Essential Services

Review of the services offered the Hospital revealed that the hospital did not fully offer services required as listed below:

Criteria (Requirement)	Confirm Services	Variances Noted
Surgical Services	Minor surgery done	Not fully compliant
Pediatric Services	Minor services provided	Not fully compliant
Gynecology Services	Minor services provided	Not fully compliant
Radiology Services	Not Available	Not Compliant
Renal Services	Services not available	Not compliant
Tuberculosis Services	Management done at Nyangiela Level 4 Hospital	Compliant

3. Inadequate Hospital Equipment, Machines and Bed Capacity

Kenya Quality Model for Health Checklist designed for Level 4 hospitals recommends the following resource requirements to be met by the hospital of which were not complied to as below:

Criteria (Requirement)	Minimum Required	Number Confirmed	Variances
Bed Capacity	150	20	130
Equipment & Machines			
Incubators (New Born)	5	0	5
Cots	5	1	4
Resuscitaire in Theatre	1	0	1
Resuscitative in Labour Ward	2	0	1
Functional ICU Beds	6	0	6
HDU Beds	6	0	6
Renal Unit with Dialysis Machines	5	0	5
Functional Operating Theaters Maternity and General	2	0	2

In the circumstances, the Hospital is in breach of the Kenya Quality Model for Health for Level 4 hospitals requirements.

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 comply, in all material respects, with the authorities that govern them.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and 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 governance were not effective.

Basis for Conclusion

1. Lack of Risk Management Policy

During the year under review, Management had not established risk management policies, and risk management strategies, which include fraud prevention mechanisms and a system of risk management and internal controls that builds robust business operations.

In the circumstances, it was not possible to confirm the effectiveness of the internal controls, risk management and governance of the Hospital.

2. Lack of Approved Disaster Recovery Plan, Approved Information Technology Strategic Plan Policy

The Hospital does not have an approved Information Technology(IT) Disaster Recovery Plan, approved IT policy, approved IT Strategic Plan and a Business Continuity Plan. This is contrary to Regulation 22(1)(b) of the Public Finance Management Act, 2012, the County Governments Regulations, 2015 states the accounting officers shall, in accordance with Article 226 (2) of the Constitution and section 149(1) of the Act, be accountable to the County Assembly responsibilities for maintaining effective systems of internal control and the measures taken to ensure that they are effective.

In the circumstances, effective management of information 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

Report of the Auditor-General on Nyangiela Level 4 Hospital for the year ended 30 June, 2022 - County Government of Homa Bay

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 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 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 comply with the authorities, which govern them, and that public resources are applied in an effective way.

The Board of Management is responsible for overseeing the Hospital's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness

of internal controls, risk management and 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 controls would not necessarily disclose all matters in the internal controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Hospital to cease to continue 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

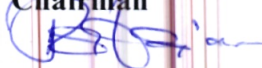
Nairobi

16 July, 2024

Nyangiela Level 4 Hospital (Homa Bay County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

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

	Note	2021-2022 KShs
		-
Revenue from exchange transactions		
Rendering of Services	1	300,000
NHIF Receipt	2	2,211,700
		2,511,700
Total revenue		2,511,700
Expenses		
Medical/Clinical Costs	3	1,986,040
Repairs & Maintenance	4	200,000
General Expenditure	5	112,603
Depreciation and Armotization		385,884
Total expenses		2,684,527
Deficit for the period		(172,827)

Chairman

 Board of Management

Accountant In-Charge




 Secretary
 Board of Management



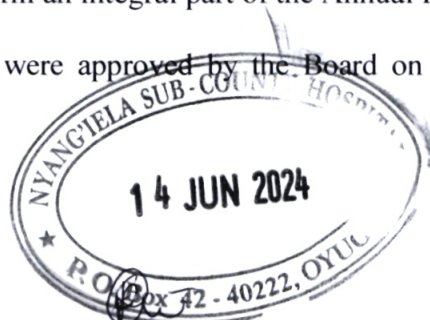
Nyangiela Level 4 Hospital (Homa Bay County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

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

	Note	2021-2022 KShs
Assets		
Current assets		
Cash and cash equivalents	6	214,422
Inventories	7	24,000
Receivables from Exchange Transactions	8	66,000
Non-Current Assets		
Property, Plant and Equipment	9	3,774,116
TOTAL ASSETS		4,078,538
Liabilities		
Trade Payables	13	169,000
Net Assets		
Accumulated Funds/Capital Fund		3,909,538
Total net assets and liabilities		4,078,538

(The notes set out on pages 1 to 31 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 14/06/24 and signed on its behalf by:



Chairman


Accountant In-Charge


Secretary
Board of Management

Board of Management

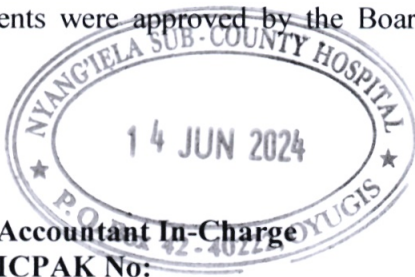
Nyangiela Level 4 Hospital (Homa Bay County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

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


	Accumulated Surplus	Capital Fund	Total
	KShs		KShs
Balance as at 1 July 2021			1,365
Surplus/(deficit) for the period	(172,827)		(172,827)
Capital Fund		3,909,538	3,909,538
Balance as at 30 June 2022	(172,827)		3,738,076


(The notes set out on pages 1 to 31 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 14/06/2022 and signed on its behalf by:



Chairman
Board of Management


Accountant In-Charge
ICPAK No:


Secretary


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

	Note	2021-2022
		KShs
Cash flows from operating activities		
Revenue from exchange transactions		
Rendering of Services	1	300,000
NHIF Receipt	2	2,211,700
Total Receipts		2,511,700
Payments		
Medical/Clinical Costs	3	1,986,040
Repairs & Maintainance	4	200,000
General Expenditure	5	112,603
Total Payments		2,298,643
Cash flows from operating activities		213,057
Net increase/(decrease) in cash and cash equivalents		213,057
Cash and cash equivalents at 1 JULY 2022		1,365
Cash and cash equivalents at 30 JUNE 2023	6	214,422

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

The notes set out on pages 1 to 31 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 14/06/24 and signed on its behalf by:

Chairman

Board of Management

Accountant In-charge

ICPAK No:



Secretary

*Nyangiela Level 4 Hospital (Homa Bay County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022*

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2022	2022	2022	2022	2022	2022
	KShs	KShs	KShs	KShs	KShs	
Revenue						
Rendering of Services	330,000		330,000	300,000	30,000	91%
NHIF Receipt	2,300,000		2,300,000	2,211,700	88,300	96%
Total income	2,630,000	-	2,630,000	2,511,700	118,300	96%
					-	
Expenses						
Medical/Clinical Costs	2,210,000	-	2,210,000	1,986,040	223,960	90%
Repairs & Maintenance	220,000		220,000	200,000	20,000	91%
General Expenditure	200,000		200,000	112,603	87,397	56%
					-	
Total expenditure	2,630,000	-	2,630,000	2,298,643	331,357	87%
Deficit for the period	-	-	-	213,057		

Budget notes

1. The difference between actual receipts and budgeted for medical costs is over 40% due to the in-kind contribution by the Homa Bay County Government which has not been included as a direct cost.

The notes set out on pages 1 to 31 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 14/06/24 and signed on its behalf by:

Chairman
Board of Management

Accountant In-Charge



Secretary

19. Notes To the Financial Statements

1. General Information

Nyangiela Level 4 Hospital entity is established by and derives its authority and accountability from County Government Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to provide affordable and accessible universal health coverage.

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 and, 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, complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in the notes. 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 International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

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

Notes to the Financial Statements (Continued)

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

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

Nyangiela Level 4 (Homa Bay County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

	<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>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs, which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts, which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS, which were inadvertently omitted when IPSAS 41 was issued.</p>
Other improvements to IPSAS	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits, as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>
IPSAS 43	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees</p>

	<p>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 cash flows 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><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

ii. **Early adoption of standards**

The entity did not earlier adopt any new or amended standards in the year

4. Summary Of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

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

Notes to the Financial Statements (Continued)

Revenue from exchange transactions

Rendering of services

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

Sale of goods

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

Interest income

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

Dividends

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

Rental income

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

Notes to the Financial Statements (Continued)

b) Budget information

Board approved the original budget for FY 2021/22. 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.

Nyangiela Level 4 (Homa Bay County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

Accordingly, the entity recorded reallocation of funds on the FY 2021 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 actual as per the statement of financial performance has been presented under section of xvii these financial statements.

Notes to the Financial Statements (Continued)

c) Taxes

Sales tax/ Value Added Tax

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

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

d) Investment property

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

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a period. 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.

It's important to **note** that Plant, Property and Equipment recognized in this financial report include estimated values of the old buildings and actual cost of two buildings constructed in the recent past, depreciated at 2.5% and a photocopier acquired during the year at 33.3% The values of other equipment including land could not be ascertained, therefore not included in the Financial statements. This is because most of the equipment were donated/ transferred by National Government. The management need time and other resources to carry out valuation of the other equipment, land and buildings. ICT and Medical equipment included were acquired prior to end of financial year therefore will be depreciated in the next year. The List of equipment attached; **annex vii**

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. The intangible asset relates to upgrade of the Software (Hospital Information Management System) which is a work in progress and has been partially paid. No amortization has been provided because it is still work in progress.

Notes to the Financial Statements (Continued)

h) Research and development costs

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

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

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

i) Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Loans and receivables

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

Notes to the Financial Statements (Continued)

Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

Notes to the Financial Statements (Continued)

Loans and borrowing

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

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

i) Inventories

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

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

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

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

j) Provisions

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

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

Notes to the Financial Statements (Continued)

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

Contingent liabilities

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

Contingent assets

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

k) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. *(Entity to state the reserves maintained and appropriate policies adopted.)*

l) Changes in accounting policies and estimates

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

m) Employee benefits

Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for

the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump-sum payments or increased future contributions on a proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

Notes to the Financial Statements (Continued)

n) Foreign currency transactions

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

o) Borrowing costs

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

p) Related parties

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

q) Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services. The operator must provide together

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

Notes to the Financial Statements (Continued)

r) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and 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.

This is the first time the management is preparing financial statements therefore there are no comparative figures for the previous year

t) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

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

Notes to the Financial Statements (Continued)

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note

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.

No provision has been made in these financial stat

Notes to Financial Statements Continued

1	Rendering of Services	2021-2022
		KShs
	Laboratory	89,000
	Pharmacy	108,050
	Outpatient	12,350
	Health Record	15,600
	Inpatient	75,000
		<u>300,000</u>

2	NHIF Receipt	2021-2022
	Description	KShs
	National Hospital Insurance Fund	2,211,700

3	Medical/Clinical Costs	2021-2022
	Sanitary & Cleaning Materials	10,000
	Medical Records	69000
	Laboratory chemicals & reagents	305,040
	Food and Ration	412,000
	Non-pharmaceuticals	400,000.00
	Pharmaceutical supplies(Drugs)	790,000.00
		<u>1,986,040</u>

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Nyangiela Level 4 (Homa Bay County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

4	Repair and Maintenance	2021-2022
		KShs
	Repair of motor vehicle	143,000
	Repair of Building	57,000
		<u>200,000</u>

5	General Expenditure	2021-2022
		KShs
	General office supplies	91,000
	Bank Charges	21,603
		<u>112,603</u>

6	Cash and cash equivalents	2021-2022
		KShs
	Current Account	214,422
	Cash in Hand	
	Total cash and cash equivalents	<u>214,422</u>

7	Inventories	2021-2022
	Pharmaceutical supplies	10,500
	Non-phamarceuticals	13,500
		<u>24,000</u>

8	Receivables from Exchange Transactions	2021-2022
	Current Receivables	Kshs
	NHIF	66,000
	Total Current Receivables	<u>66,000</u>
		-

9. Property, Plant and Equipment

Description	Land	Buildings and Civil Work	Motor Vehicles	ICT Equipment	Plant & Medical Equipment	Furniture Fittings & Office Equipment	Total
	Kshs	Kshs		Kshs	Kshs	Kshs	Kshs
Cost			0.250	20%	12.50%	12.50%	
At 30 th June 2021	2,200,000	1,500,000		40,000	300000	120000	4,160,000.00
At 1 st July 2021	2,200,000	1,500,000		40,000	300000	120000	4,160,000.00
Additions							
Disposal							
Transfers/adjustments							
At 30 th June 2022	2,200,000	1,500,000		40,000	300000	120000	4,160,000.00
Depreciation and impairment				30,596.00	249038	106250	385884
Net book Value							
At 30th June 2022	<u>2,200,000</u>	<u>1,500,000</u>		<u>9,404</u>	<u>50962</u>	<u>13750</u>	<u>3,774,116</u>

Notes to the Financial Statements (Continued)

10. Trade And Other Payables

Description	2021/22
	KShs
Trade payables-medical cost	169,000
Total trade and other payables	169,000

Notes to the Financial Statements (Continued)

40. Financial Risk Management

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on the unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The entity's financial risk management objectives and policies are detailed below:-

(i) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

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 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.

(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.

Notes to the Financial Statements (Continued)

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

a) Foreign currency risk

The entity has no foreign transactional currency exposures, because it does not use foreign currency in purchases of goods and services.

Interest rate risk

Interest rate risk is not there since the institution is not borrowing from commercial institution..

41. 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.

County Government of Homabay

The County Government of Homabay is the principal shareholder of the all, holding 100% of the *entity's* equity interest. The County Government of Homabay has provided full guarantees

42. Events After The Reporting Period

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

43. Ultimate And Holding Entity

The entity is a Semi- Autonomous Government Agency under the Department of health its ultimate parent is the Government of Kenya.

44. Currency

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