

REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

**OF**

DATE	24/09/24
FILED BY	M.L
COMMITTEE	Abdirahman

**THE AUDITOR-GENERAL**

**ON**

**KATHIANI LEVEL 4 HOSPITAL**

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

**COUNTY GOVERNMENT OF MACHAKOS**



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**KATHIANI LEVEL 4 HOSPITAL  
(COUNTY GOVERNMENT OF MACHAKOS)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
30<sup>TH</sup> JUNE 2022**

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



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## **Key Entity Information and Management**

### **(a) Background information**




Kathiani Hospital is a level (4) hospital established under Gazette Notice Number No.7267 of the County Government Act no. 17 of 2012 and is domiciled in Machakos County under the Department of Health and Emergency Services. The hospital is governed by Management appointed by the department.

### **(b) Principal Activities**

The principal activity, mandate and mission of the Hospital is to provide quality health care services to the people of Kathiani Sub-County and its environs by preventing, controlling and eradicating diseases. Further, the facility is tasked to rehabilitate and promote healthy living by ensuring quick accessibility of efficient, equitable, affordable and sustainable health services. The vision of the entity is to provide quality, efficient and affordable health care services that will improve future health benefits to all people.

### **(c) Key Management**

The hospitals management is under the following key organs:

-  County Department of Health and Emergency Services
-  Accounting Officer/ Medical Superintendent
-  Hospital Management Team (HMT)

### **(d) Fiduciary Management**

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

<b>No.</b>	<b>Designation</b>	<b>Name</b>
1.	Medical Superintendent	<b>Dr. Mwendu Kikolya</b>
2.	Head of Finance	<b>Jacob Munywoki</b>
3.	Head of Supply Chain	<b>Tom Muindi</b>
4.	Hospital Administrator	<b>Alice Nyamai</b>
5.	Nursing Service Manager	<b>Serah Mwendwa</b>
6.	Hospital Manager	<b>Naomi Mutua</b>

**(e) Fiduciary Oversight Arrangements**

The following committees and bodies are assigned fiduciary oversight authority for management of Kathiani Level 4 Hospital;

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

**(f) Entity Headquarters**

P.O. Box 43-90105  
Kathiani Hospital Building  
Machakos-Kathiani Road  
**KATHIANI, KENYA**

**(g) Entity Contacts**

Telephone: (+254) 722-910-147  
E-mail: [hospitalkathiani@yahoo.com](mailto:hospitalkathiani@yahoo.com)

**(h) Entity Bankers**

Kenya Commercial Bank (KCB)

**(i) Independent Auditors**

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

**(j) Principal Legal Adviser**

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

**(k) County Attorney**

County law office  
P.O. Box.1996-90100  
Machakos Kenya

**I. The Board of Management**

There was no Board of Directors in Kathiani Level Hospital during Fy 2021-2022



**II. Management Team**

<b>Management</b>	<b>Details</b>
Manager 1: Dr.Mwende Kikolya	Medical superintended/Accounting Officer
Manager 2: Naomi Mutua	Hospital Manager
Manager 3: Serah Mwendwa	Nursing Services Manager (NSM)
Manager 4: Alice Nyamai	Hospital Administrative Officer (HAO)

### **III. Chairman's Statement**

There was no chairman's statement because the board of directors is yet to be formed.

### **IV. Report of The Chief Executive Officer**

It is my pleasure to present the Kathiani Level 4 Hospital Financial Statements for the year ended 30<sup>th</sup> June 2022, which are in line with the Public Finance Management (PFM) Act, 2012. The Act requires final financial statements to be prepared, published, publicized and submitted to the County Assembly, Office of the Auditor General, the National Treasury, the Controller of Budget and Commission for Revenue Allocation within a period of three months after the end of each Financial Year.

Attached are the Hospital's Statements which have been prepared in line with the requirements of the PFM Act 2012, which present a true and fair view of state of affairs of the County Government of Machakos for the year ended 30<sup>th</sup> June, 2022.

The Financial statements highlights both qualitative and quantitative user information about the performance of the hospital based on the revenue received and collected from the county and NHIF or Facility Improvement Fund versus numerous expenses incurred in line to promotion of quality health care services.

Additionally, the financial statements have also enumerated various challenges that the management and staff faced during the year. Essentially, the challenges continues to be highlighted to top management and solved on needy basis.

**V. 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.

Kathiani Level Hospital has *three (3)* strategic objectives within the current Strategic Plan for the FY 2021-22. These objectives have been identified through a participatory process that reviewed the health priorities of the Governor’s Manifesto, the National Government’s “Big Four” and more specifically on Universal Health Care, NIUPLAN, SDGs and the MTP III. The strategic objectives are a synthesised product of the afore-mentioned planning frameworks that amalgamate the thematic focus and health sector aspirations.

The strategic objectives are as follows;

- Free maternal health services (Linda Mama)
- Affordable health care services
- Strategic partnership with Donors for adequate funding

Kathiani Level 4 Hospital develops its annual work plans based on the above three objectives. Assessment of the management’s performance against its annual work plan is done on a quarterly basis. The hospital achieved its performance targets set for the FY 2021/2022 period for its own strategic pillars, as indicated in the diagram below:

<b>Strategic Pillar/Theme/Issues</b>	<b>Objective</b>	<b>Key Performance Indicators</b>	<b>Activities</b>	<b>Achievements</b>
Maternal health care services	Provide free maternal health care services	Number of maternal deliveries	-Surgeries, pre-natal and post natal services -Normal deliveries	Managed to achieve 99% free maternal health care services
Affordable and timely health care services	Ensure timely provision of health care services to all patients	Number of in-patients and out-patients served	-Treatment of in-patient and out-patient	Managed to improve timely health care provision from 65% to 75%

Strategic partnership	Conduct sensitization and research in order to attract donors	Number of donors offering financial support	-Collaboration with donors	Managed to partner with DANIDA and Red-Cross
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## **VI. Corporate Governance Statement**

## **VII. Management Discussion and Analysis**

The main operational performance of Kathiani Level 4 Hospital involves provision of health care services. However, while offering the services, the hospital collects some revenue from patients either in Mpesa-paybill or NHIF. The funds are transferred to County Revenue Fund (CRF) as per Public Financial Management (PFM) regulations 2015. Currently, the operations of the facility are managed by transfers from the County Government. The monies are used to improve the facility and provide both curative and preventive care services to Kathiani residents. The main challenges faced include; delay in disbursement of funds from the County Treasury and large patients work load vs available workforce.

Kathiani Level 4 Hospital is governed by all medical regulatory frameworks, the constitution of Kenya 2010 and other statutory policies put in place either by the national or county government. To that extent, non –major non-compliance that may lead to contingent liabilities has been reported. The hospital has no pending court cases unless those of patients such as rape cases and which the facility must support upon request from law-enforcement agencies. However, the facility has pending account payables that should be settled from various suppliers.

**Key projects and investment decisions the entity is planning/implementing. The hospital is planning to implement the following projects**

- a. Overhauling the plumbing system of the hospital
- b. Renovating and painting the whole hospital
- c. Planting trees around the hospital and open spaces
- d. Renovation and maintenance of 3 mortuary chambers
- e. Construction of incinerator
- f. Automation of the hospital services
- g. Starting a dairy project and a kitchen garden to supplement the patients

The major risks facing Kathiani level 4 Hospital and which the top management should address immediately for smooth operations and quality health care services include;

- Operational costs emanating from faulty and out-dated medical equipment.
- Market risks resulting from competition from private sector offering quality health care services
- Credit risk emanating from long outstanding pending bills
- Delayed Cashflow from County Treasury
- Over stretched work force in some sections within the facility.

Currently, the entity's is financially probity and as no serious governance issues which should be addressed. All staff statutory deductions such as PAYE, NSSF and NHIF are remitted by the County Government. However, the facility has long outstanding pending bills which should be paid.

## **VIII. Environmental And Sustainability Reporting**

Kathiani Level 4 Hospital exists to transform lives. It's what guides us to deliver our strategy, putting the client/Citizen first, delivering health services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability;

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

The top management through the Medical superintendent or the accounting officer has collaborated with Machakos Level 5 hospital and the top management to ensure quality medical services are offered to our patients and as per the international standards set by World Health Organization (WHO).

### ***ii) Environmental performance***

The hospital is in the process of developing world class environmental policy that will promote E-cycling of wastes to avoid health hazards that can negatively affect our clients and staff. However, financial challenges have negatively impacted on such ideas.

### ***iii) Employee welfare***

The hiring process of the medical practitioners and other staff is conducted by County Public Service Board in collaboration with mother department of Health and Emergency services. However, the posting and allocation of roles is done based on several elements among them, gender parity. Lastly, the welfare of the staff is highly valued based on the policy safety and compliance of the Occupational Safety and Health Act of 2007, (OSHA.)

### ***iv) Corporate Social Responsibility / Community Engagements***

Kathiani Level 4 Hospital has conducted numerous CSR activities during the year on free- cancer and tuberculosis screening and treatments. We have also partnered with Red-Cross and Kenya Wildlife Services (KWS) in promoting re-afforestation within Kathiani Sub-county.

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

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

### **Principal activities**

The principal activity, mandate and mission of the Hospital is to provide quality health care services to the people of Kathiani Sub-County and its environs by preventing, controlling and eradicating diseases.

### **Results**

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

### **Board of Management**

There was no Board of Management that served during Fy 2021-2022

### **Auditors**

The Auditor General is responsible for the statutory audit of the entity in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 .The auditor was nominated by the Auditor General to carry out the audit of the entity for the year/period ended June 30, 2022 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board



**Dr. Mwende Kikolya**  
*Medical Superitendent*

## **X. Statement of Board of Management's Responsibilities**

Section 164 of the Public Finance Management Act, 2012 requires the Board of Management to prepare financial statements in respect of that *entity*, which give a true and fair view of the state of affairs of the *entity* at the end of the financial year/period and the operating results of the *entity* for that year/period. The Board of Management is also required to ensure that the *entity* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *entity*. The council members are also responsible for safeguarding the assets of the *entity*.

The Board of Management is responsible for the preparation and presentation of the *entity's* financial statements, which give a true and fair view of the state of affairs of the *entity* for and as at the end of the financial year (period) ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the *entity*, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the *entity*; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.


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

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

### **Approval of the financial statements**

The Hospital's financial statements were approved by the Board on 14/6/24 and signed on its behalf by:

.....  
Name:  
Chairperson  
Board of Management

  
.....  
Name: Dr. Mwende Kikolya  
Accounting Officer



# REPUBLIC OF KENYA



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NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON KATHIANI LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2022 - COUNTY GOVERNMENT OF MACHAKOS

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### PREAMBLE

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

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

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Kathiani Level 4 Hospital – County Government of Machakos set out on pages 1 to 51, which comprise of the

statement of financial position as at 30 June, 2022 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kathiani Level 4 Hospital - County Government of Machakos as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, the County Governments Act, 2012, the Health Act, 2017 and the Machakos County Health Services Act, 2021.

### **Basis for Qualified Opinion**

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

The statement of financial position reflects a Nil balance in respect of property, plant and equipment, as disclosed in Note 31 to the financial statements. However, inspection carried out in April, 2024 revealed that the Hospital had assets including land, buildings, motor vehicles and furniture and equipment which have not been valued and not disclosed in the financial statements.

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

#### **2. Unconfirmed Inventories Balance**

The statement of financial position reflects a Nil balance in respect to inventories as disclosed in Note 30 to the financial statements. However, review of the stores records revealed that the Hospital had stocks of undetermined value as at 30 June, 2022 but which was not included in the financial statements. Further, Management did not carry out a stock take at end of the financial year to confirm the quantities and condition of the inventories.

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

#### **3. Non-Disclosure of Employee Costs Paid by the County Government**

The statement of financial performance reflects employee costs of Kshs.1,876,400 for casuals and contractual staff as disclosed in Note 16 to the financial statements. However, the Hospital also received services from medical staff employed and paid by the county Government. However, the expenditure was not disclosed in the financial statements and the payroll was not provided for audit.

In the circumstances, the accuracy and completeness of employee costs of Kshs.1,876,400 could not be confirmed.

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

### **Key Audit Matters**

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

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1. Late Submission of Financial Statements**

The annual report and financial statements for the year ended 30 June, 2022 were submitted to the Office of the Auditor General on 03 March, 2023, five (5) months after the statutory deadline of 30 September, 2022. This was contrary to Section 47(1) of the Public Audit Act, 2015 which states that the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three (3) months after the end of the fiscal year to which the accounts relate.

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

#### **2. Identification, Collection and Accounting for Own Generated Revenue**

The statement of financial performance reflects rendering services - medical services income of Kshs.9,093,321 as disclosed in Note 11 to the financial statements. The following unsatisfactory matters were however noted:-

## **2.1 Failure to Transfer Revenue to the County Revenue Fund Account**

During the period under review, the Hospital did not transfer the revenue generated into the County Revenue Fund Account for approval by the Controller of Budget before withdrawal. This was contrary to Regulation 81(1-3) of Public Finance Management (County Governments) Regulations, 2015 which states that a receiver of revenue shall promptly deposit into the County exchequer account all receipts due to the County Revenue Fund.

## **2.2 Failure to Prepare Quarterly Revenue Reports**

During the period under review, the Hospital did not provide evidence to show that the reports were prepared and submitted to the County Treasury with a copy to the Auditor-General as per the requirement of Regulations 64(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer or receiver of revenue or collector of revenue to prepare a quarterly report not later than the 15th day after the end of the quarter.

## **2.3 Revenue Safeguards and Controls**

The Hospital revenue collection process lacked segregation of duties as the same person received revenue, issued receipts and carried out the banking of revenue. This is contrary to Regulation 63(1(a)) of the Public Finance Management (County Governments) Regulations, 2015 which states that an accounting officer and a receiver of revenue are personally responsible for ensuring that - (a) adequate safeguards exist and are applied for the prompt collection and proper accounting for, all county government revenue and other public moneys relating to their county departments or agencies.

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

## **3. Anomalies in the Presentation of the Financial Statements**

Review of the financial statements revealed non-compliance with the Public Sector Accounting Standard Board financial reporting template issued on 30 June, 2022 as follows;

- (i) Paragraph one of the Chairman's report on page viii indicates the financial statements present a true and fair view of the County Government of Machakos instead of Kathiani Level 4 Hospital.
- (ii) Report of the Board of Management on page xiii indicates that the results of the entity are set out on page IX instead of pages 1 to 9.
- (iii) The Hospital does not have a Board of Management. However, the financial statements include the Chairman's report, statement of Board of Management's responsibilities.

- (iv) Paragraph one on statement of Board of Management responsibilities refers to Council members instead of Board members.
- (v) Pages 2 and 3 indicate that the notes to the financial statements are at pages 25 to 39 instead of 25 to 50.
- (vi) The date is indicated as 30 June, 20XX under paragraph on subsequent events at page 23 instead of 30 June, 2024.
- (vii) Required amounts in the tables under financial risk managements at page 44, 45 and 48 have not been included.

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

#### 4. Lack of a Board of Management

During the year under review, the Hospital did not have a Board of Management. This was contrary to Section 11(1) of the Machakos County Health Services Act, 2021 which establishes the Hospital Management Board.

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

#### 5. Deficiencies in Implementation of Universal Health Coverage

Review of Hospital records and interviews on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit in April, 2024 revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits by forty-two (42) or 42% of the authorized establishment.

Staff Requirements	Level 4 Standard	Number in Hospital	Variance	Percentage %
Medical Officers	16	6	10	63
Anesthesiologists	2	0	2	100
General Surgeons	2	1	1	50
Gynecologists	2	0	2	100
Pediatrics	2	1	1	50
Radiologists	2	0	2	100
Kenya Registered Community Health Nurses	75	51	24	32
<b>Total</b>				

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

Service	Level 4 Hospital Standard	Actuals In the Hospital	Variance	Percentage %
New Born Unit Incubators	5	2	3	60
Functional ICU Beds	6	0	6	100
High Dependency Unit (HDU) Beds	6	0	6	100
Renal Unit with At least 5 Dialysis Machines	5	0	5	100
Two Functional Operational Theatres-Maternity & General	2	1	1	50

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

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

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

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

### Conclusion

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

### Basis for Conclusion

#### 1. Failure to Maintain Fixed Asset Register

The statement of financial position reflects nil property, plant and equipment balance as disclosed in Note 31 to the financial statements. However, it was noted that the Hospital does not maintain fixed asset register to control its assets. This was contrary to Regulation 136(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws. In addition, there was no evidence to show that the Hospital had ever valued its assets to ascertain the correct market values.

In the circumstances, the existence of an effective mechanism to safeguard assets could not be confirmed.

## **2. Ineffective Internal Audit Unit**

Review of the Hospital's governance system revealed that it relied on the Internal Audit Unit (IAU) of the County Government of Machakos since it had not established its own. However, during the year under review, the Internal Audit Unit (IAU) did not carry out any audits on the operations of the Hospital. This was contrary to Regulation 153(1)(a) of the Public Finance Management (County Governments) Regulations, 2015 which states that Internal auditors shall review and evaluate budgetary performance, financial management, transparency and accountability mechanisms and processes in county government entities, including County Assembly.

In the circumstances, the Hospital could not benefit from the independent assurance over its financial reporting and risk management processes.

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

### **Responsibilities of Management and those Charged with Governance**

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

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

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

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

Those charged with governance are responsible for overseeing the Hospital's financial reporting process, reviewing the effectiveness of how the Management monitors

compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

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

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

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

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

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




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

Conclude on the appropriateness of the Management's use of appropriate basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to 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 sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Hospital to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
 FCPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**24 June, 2024**

*Kathiani Level 4 Hospital (Machakos County Government)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2022*

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

<b>Description</b>	<b>Notes</b>	<b>2021/22</b>	<b>2020/21</b>
		<b>Kshs</b>	<b>Kshs</b>
<b>Revenue from non-exchange transactions</b>			
Transfers from the County Government	6	4,000,000	-
In-kind contributions from the County Government	7	-	-
Grants from donors and development partners	8	-	-
Transfers from other Government entities	9	-	-
Public contributions and donations	10	-	-
		<b>4,000,000</b>	-
<b>Revenue from exchange transactions</b>			
Rendering of services- Medical Service Income	11	9,093,321	-
Revenue from rent of facilities	12	-	-
Finance /Interest Income	13	-	-
Other income	14	-	-
<b>Revenue from exchange transactions</b>		<b>9,093,321</b>	-
<b>Total revenue</b>		<b>13,093,321</b>	-
<b>Expenses</b>			
Medical/Clinical costs	15	1,991,147	-
Employee costs	16	1,876,400	-
Board of Management Expenses	17	-	-
Depreciation and amortization expense	18	-	-
Repairs and maintenance	19	388,460	-
Grants and subsidies	20	-	-
General expenses	21	8,085,165	-
Finance costs	22	-	-
<b>Total expenses</b>		<b>12,341,172</b>	-
<b>Other gains/(losses)</b>			
Gain on disposal of non-Current assets	23	-	-
Unrealized gain on fair value of investments	24	-	-

**Kathiani Level 4 Hospital (Machakos County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2022**

Medical services contracts Gains/Losses	25	-	-
Impairment loss	26	-	-
Gain on foreign exchange transactions		-	-
<b>Total other gains/(losses)</b>		-	-
<b>Net Surplus for the year</b>		<b>752,149</b>	-
Attributable to:			
Surplus/(deficit) attributable to minority interest		-	(-)
Surplus attributable to owners of the controlling entity		-	-
		<b>752,149</b>	-

*(The notes set out on pages 25 to 39 form an integral part of the Annual Financial Statements.)*

The Hospital's financial statements were approved by the Board on 14/6/24 and signed on its behalf by:

.....	.....	.....
<b>Chairman</b>	<b>Head of Finance</b>	<b>Medical Superintendent</b>
<b>Board of Management</b>	ICPAK No:22427	

XII. Statement of Financial Position as of 30<sup>th</sup> June 2022


Description	Notes	2021/22	2020/21
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	27	752,149	-
Receivables from exchange transactions	28	773,625	-
Receivables from non-exchange transactions	29	-	-
Inventories	30	-	-
<b>Total Current Assets</b>		<b>1,525,774</b>	-
<b>Non-current assets</b>			
Property, plant, and equipment	31	-	-
Intangible assets	32	-	-
Investment property	33	-	-
<b>Total Non-current Assets</b>		-	-
<b>Total assets</b>		<b>1,525,774</b>	-
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	34	773,625	-
Refundable deposits from customers/Patients	35	-	-
Provisions	36	-	-
Finance lease obligation	37	-	-
Current portion of deferred income	38	-	-
Current portion of borrowings	39	-	-
<b>Total Current Liabilities</b>		<b>773,625</b>	-
<b>Non-current liabilities</b>			
Provisions	36	-	-
Non-Current Finance lease obligation	37	-	-
Non-Current portion of deferred income	38	-	-
Non - Current portion of borrowings	39	-	-
Service concession liability	40	-	-
<b>Total Non-current liabilities</b>		-	-
<b>Total Liabilities</b>		<b>773,625</b>	-

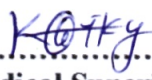
Description	Notes	2021/22 Kshs	2020/21 Kshs
Net assets			
Revaluation reserve		-	-
Accumulated surplus/Deficit		752,149	-
Capital Fund		-	-
		-	-
<b>Total Net Assets and Liabilities</b>		<b>1,525,774</b>	<b>-</b>

(The notes set out on pages 25 to 39 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 14/6/24 and signed on its behalf by:

.....  
**Chairman  
Board of Management**

  
.....  
**Head of Finance  
ICPAK No:22427**


  
.....  
**Medical Superintendent**

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

	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
<b>As at July 1, 2020</b>	-	-	-	-
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	-	-	-
Capital/Development grants	-	-	-	-
<b>As at June 30, 2021</b>	-	-	-	-
<b>At July 1, 2021</b>	-	-	-	-
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	752,149	-	752,149
Capital/Development grants	-	-	-	-
<b>At June 30, 2022</b>	-	752,149	-	752,149

The Hospital's financial statements were approved by the Board on 14/6/24 and signed on its behalf by:

.....  
Chairman  
Board of Management

  
.....  
Head of Finance  
ICPAK No:22427

  
.....  
Medical Superintendent


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

Description	Note	2021/22 Kshs	2020/21 Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the County Government		4,000,000	-
Grants from donors and development partners		-	-
Transfers from other Government entities		-	-
Public contributions and donations		-	-
Rendering of services- Medical Service Income		9,093,321	-
Revenue from rent of facilities		-	-
Finance / interest income		-	-
Other receipts( <i>specify</i> )		-	-
<b>Total Receipts</b>		<b>13,091,321</b>	<b>-</b>
<b>Payments</b>			
Medical/Clinical costs		1,991,147	-
Employee costs		1,876,400	-
Board of Management Expenses		-	-
Repairs and maintenance		388,460	-
Grants and subsidies		-	-
General expenses		8,085,165	-
Finance costs		-	-
Refunds paid out		-	-
<b>Total Payments</b>		<b>12,341,172</b>	<b>-</b>
<b>Net cash flows from operating activities</b>	41	<b>752,149</b>	<b>-</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment, & intangible assets		(-)	(-)
Proceeds from the sale of property, plant, and equipment		-	-
Acquisition of investments		(-)	(-)
<b>Net cash flows used in investing activities</b>		<b>(-)</b>	<b>(-)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	-
Repayment of borrowings		(-)	(-)
Capital grants received		-	-
<b>Net cash flows used in financing activities</b>		<b>(-)</b>	<b>(-)</b>

<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>752,149</b>	<b>(-)</b>
Cash and cash equivalents at 1 July	27	-	-
<b>Cash and cash equivalents at 30 July</b>	<b>27</b>	<b>752,149</b>	<b>-</b>

The notes set out on pages 25 to 39 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 14/6/24 and signed on its behalf by:

.....  
**Chairman**  
**Board of Management**

  
.....  
**Head of Finance**  
ICPAK No:22427

  
.....  
**Medical Superintendent**




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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
<b>Revenue</b>						
Transfers from the County Government	4000,000	-	4000,000	4,000,000	-	100%
Grants from donors and development partners	-	-	-	-	-	0 %
Transfers from other Government entities	-	-	-	-	-	0 %
Public contributions and donations	-	-	-	-	-	0 %
Rendering of services- Medical Service Income	9,093,321	-	9,093,321	9,093,321	-	100%
Revenue from rent of facilities	-	-	-	-	-	0 %
Finance / interest income	-	-	-	-	-	0 %
Other receipts ( <i>specify</i> )	-	-	-	-	-	0 %
<b>Total income</b>	<b>13,845,470</b>	<b>-</b>	<b>13,845,470</b>	<b>13,845,470</b>	<b>-</b>	<b>100%</b>
<b>Expenses</b>						
Medical/Clinical costs	1,991,147	-	1,991,147	1,991,147	-	100 %
Employee costs	1,876,400	-	1,876,400	1,876,400	-	100 %
Remuneration of directors	-	-	-	-	-	0 %
Repairs and maintenance	388,460	-	388,460	388,460	-	100 %
Grants and subsidies	-	-	-	-	-	0 %
General expenses	8,085,165	-	8,085,165	8,085,165	-	100 %
Finance costs	-	-	-	-	-	0 %
Refunds	-	-	-	-	-	0 %
<b>Surplus for the period</b>	<b>752,149</b>	<b>-</b>	<b>752,149</b>	<b>752,149</b>	<b>-</b>	
<b>Capital expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0%</b>

The notes set out on pages 25 to 39 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 14/6/24 and signed on its behalf by:

.....  
**Chairman**  
**Board of Management**

  
.....  
**Head of Finance**  
**ICPAK No:22427**

  
.....  
**Medical Superintendent**

## **XVI. Notes To the Financial Statements**

### **1. General Information**

Kathiani Level 4 entity is established by and derives its authority and accountability from Gazette Notice Number No.7267 and County Government Act no. 17 of 2012. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is rendering medical services to the public.

### **2. Statement Of Compliance And Basis Of Preparation**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *entity's* accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed. 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 1<sup>st</sup> January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1<sup>st</sup> 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><b>IPSAS 41:</b> Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>
<p><b>IPSAS 42:</b> Social Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ol style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the Entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> </ol>

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

	<p>leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
<p>IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations</p>	<p><b>Applicable 1<sup>st</sup> January 2025</b></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 early – adopt any new or amended standards in the year 2021-2022

**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**

The original budget for FY 2021-2022 was approved by County Assembly on 30<sup>th</sup> June 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of facility on the FY 2021-2022 budget following the County Assembly's approval. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 0 of these financial statements.



*Notes to the Financial Statements (Continued)*

**c) Taxes**

**Sales tax/ Value Added Tax**

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

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

**d) Investment property**

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

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

**e) Property, plant and equipment**

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

*Notes to the Financial Statements (Continued)*

**f) Leases**

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

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

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

**g) Intangible assets**

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

*Notes to the Financial Statements (Continued)*

**h) Research and development costs**

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

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

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

**i) Financial instruments**

**Financial assets**

**Initial recognition and measurement**

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

**Loans and receivables**

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

*Notes to the Financial Statements (Continued)*

**Held-to-maturity**

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

**Impairment of financial assets**

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

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

**Financial liabilities**

**Initial recognition and measurement**

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

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

*Notes to the Financial Statements (Continued)*

**Loans and borrowing**

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

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

**i) Inventories**

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

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

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

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

**j) Provisions**

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

*Notes to the Financial Statements (Continued)*

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

**Contingent liabilities**

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

**Contingent assets**

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

**k) Nature and purpose of reserves**

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

**l) Changes in accounting policies and estimates**

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

**m) Employee benefits**

**Retirement benefit plans**

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump-sum payments or increased future contributions on a proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

*Notes to the Financial Statements (Continued)*

**n) Foreign currency transactions**

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

**o) Borrowing costs**

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

**p) Related parties**

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

**q) Service concession arrangements**

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

*Notes to the Financial Statements (Continued)*

**r) Cash and cash equivalents**

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

**s) Comparative figures**

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

**t) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 20XX.

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

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

**Estimates and assumptions**

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



*Notes to the Financial Statements (Continued)*

**Useful lives and residual values**

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

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

**Provisions**

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

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.

**6. Transfers From The County Government**

<b>Description</b>	<b>2021/22</b>	<b>2020/21</b>
	<b>KShs</b>	<b>KShs</b>
<b>Unconditional grants</b>		
Operational grant	4,000,000	-
Level 5 grants	-	-
Other grants	-	-
	<b>4,000,000</b>	-
<b>Conditional grants</b>		
User fee forgone	-	-
Transforming health services for Universal care project (THUCP)	-	-
DANIDA	-	-
Wards Development grant	-	-
Paediatric block grant	-	-
Administration block grant	-	-
Laboratory grant	-	-
<b>Total government grants and subsidies</b>	<b>4,000,000</b>	-

Notes to the Financial Statements (Continued)

6 Transfers from the County Government

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

7. In Kind Contributions from The County Government

Description	2021/22	2020/21
	KShs	KShs
Salaries and wages	-	-
Pharmaceutical and Non-Pharmaceutical Supplies	-	-
Medical supplies-Drawings Rights (KEMSA)	-	-
Utility bills	-	-
<b>Total grants in kind</b>	-	-

8. Grants From Donors and Development Partners

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

Notes to the Financial Statements (Continued)

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

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

9. Transfers From Other Government Entities

Description	2021/22	2020/21
	KShs	KShs
Transfer from National Government (Ministry of Health)	-	-
Transfer from National Hospital	-	-
Transfer from Institute	-	-
<b>Total Transfers</b>	-	-

10. Public Contributions and Donations

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

*Notes to the Financial Statements (Continued)*

**10 (a) Reconciliations of amortised grants**

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

**11. Rendering of Services-Medical Service Income**

<b>Description</b>	<b>2021/22</b>	<b>2020/21</b>
	<b>KShs</b>	<b>KShs</b>
Pharmaceuticals	6,550,098	-
Non-Pharmaceuticals	-	-
Laboratory	-	-
Radiology	-	-
Orthopedic and Trauma Technology	-	-
Theatre	-	-
Accident and Emergency Service	-	-
Anesthesia Service	-	-
Ear Nose and Throat service	-	-
Nutrition service	-	-
Cancer centre service	-	-
Dental services	-	-
Reproductive health	-	-
Paediatrics services	-	-
Farewell home services	-	-
<b>Other medical services income</b>	<b>2,543,223</b>	-
<b>Total revenue from the rendering of services</b>	<b>9,093,321</b>	-

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

*Notes to the Financial Statements (Continued)*

**12. Revenue From Rent of Facilities**

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

**13. Finance /Interest Income**

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

**14. Other Income**

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

Notes to the Financial Statements (Continued)

15. Medical/ Clinical Costs

Description	2021/22	2020/21
	KShs	KShs
Dental costs/ materials	-	-
Laboratory chemicals and reagents	-	-
Public health activities	-	-
Food and Ration	-	-
Uniform, clothing, and linen	-	-
Dressing and Non-Pharmaceuticals	1,915,147	-
Pharmaceutical supplies	-	-
Health information stationery	-	-
Reproductive health materials	-	-
Sanitary and cleansing Materials	-	-
Purchase of Medical gases	-	-
X-Ray/Radiology supplies	-	-
Other medical related clinical costs ( <i>specify</i> )	76,000	-
<b>Total medical/ clinical costs</b>	<b>1,991,147</b>	<b>-</b>

16. Employee Costs

Description	2021/22	2020/21
	KShs	KShs
Salaries, wages, and allowances	1,876,400	-
Contributions to pension schemes	-	-
Service gratuity	-	-
Performance and other bonuses	-	-
Staff medical expenses and Insurance cover	-	-
Group personal accident insurance and WIBA	-	-
Social contribution	-	-
Other employee costs ( <i>specify</i> )	-	-
<b>Employee costs</b>	<b>1,876,400</b>	<b>-</b>

*Notes to the Financial Statements (Continued)*

**17. Board of Management Expenses**

<b>Description</b>	<b>2021/22</b>	<b>2020/21</b>
	<b>KShs</b>	<b>KShs</b>
Chairman's Honoraria	-	-
Sitting allowance	-	-
Mileage	-	-
Insurance expenses	-	-
Induction and training	-	-
Travel and accommodation allowance	-	-
Airtime allowances	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**18. Depreciation And Amortization Expense**

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

**19. Repairs And Maintenance**

<b>Description</b>	<b>2021/22</b>	<b>2020/21</b>
	<b>KShs</b>	<b>KShs</b>
Property- Buildings	-	-
Medical equipment	340,600	-
Office equipment	-	-
Furniture and fittings	18,000	-
Computers and accessories	-	-
Motor vehicle expenses	30,000	-
Maintenance of civil works	-	-
<b>Total repairs and maintenance</b>	<b>388,460</b>	<b>-</b>



*Notes to the Financial Statements (Continued)*

**20. Grants And Subsidies**

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

**21. General Expenses**

<b>Description</b>	<b>2021/22</b>	<b>2020/21</b>
	<b>KShs</b>	<b>KShs</b>
Advertising and publicity expenses	-	-
Catering expenses	1,922,816	-
Waste management expenses	1,446,805	-
Insecticides and rodenticides	-	-
Audit fees	-	-
Bank charges	-	-
Conferences and delegations	-	-
Consultancy fees	-	-
Contracted services	959,200	-
Electricity expenses	2,289,700	-
Insurance	-	-
Research and development expenses	-	-
Travel and accommodation allowance	124,750	-
Legal expenses	-	-
Licenses and permits	-	-
Courier and postal services	18,900	-
Printing and stationery	719,600	-
Hire charges	-	-
Rent expenses	-	-
Water and sewerage costs	-	-
Skills development levies	-	-
Telephone and mobile phone services	321,600	-
Internet expenses	215,394	-

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Description	2021/22	2020/21
	KShs	KShs
Staff training and development	52,200	-
Subscriptions to professional bodies	14,200	-
Subscriptions to newspapers periodical, magazines, and gazette notices	-	-
Library books/Materials	-	-
Parking charges	-	-
<b>Total General Expenses</b>	<b>8,085,165</b>	<b>-</b>

**22. Finance Costs**

Description	2021/22	2020/21
	KShs	KShs
Borrowings (amortized cost) *	-	-
Finance leases (amortized cost)	-	-
Interest on Bank overdrafts/Guarantees	-	-
Interest on loans from commercial banks	-	-
<b>Total finance costs</b>	<b>-</b>	<b>-</b>

**23. Gain/Loss On Disposal Of Non-Current Assets**

Description	2021/22	2020/21
	KShs	KShs
Property, plant, and equipment	-	-
Intangible assets	-	-
Other assets not capitalised ( <i>specify</i> )	-	-
<b>Total gain on sale of assets</b>	<b>-</b>	<b>-</b>

**24. Unrealized Gain On Fair Value Investments**

Description	2021/22	2020/21
	KShs	KShs
Investments at fair value	-	-
<b>Total gain</b>	<b>-</b>	<b>-</b>

*Notes to the Financial Statements (Continued)*

**25. Medical Services Contracts Gains /Losses**

<b>Description</b>	<b>2021/22</b>	<b>2020/21</b>
	<b>KShs</b>	<b>KShs</b>
Comprehensive care contracts with NHIF	-	-
Non- Comprehensive contracts care with NHIF	-	-
Linda Mama Program	-	-
Waivers and Exemptions	-	-
<b>Total Gain/Loss</b>	-	-

**26. Impairment Loss**

<b>Description</b>	<b>2021/22</b>	<b>2020/21</b>
	<b>KShs</b>	<b>KShs</b>
Property, plant, and equipment	-	-
Intangible assets	-	-
<b>Total impairment loss</b>	-	-

**27. Cash And Cash Equivalents**

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

Notes to the Financial Statements (Continued)

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

Description		2021/22	2020/21
Financial institution	Account number	KShs	KShs
<b>a) Current account</b>			
Kenya Commercial bank	1147479240	752,149	-
Equity Bank, etc		-	-
<b>Sub- total</b>		<b>752,149</b>	<b>-</b>
<b>b) On - call deposits</b>			
Kenya Commercial bank		-	-
Equity Bank – etc		-	-
<b>Sub- total</b>		<b>-</b>	<b>-</b>
<b>c) Fixed deposits account</b>			
Bank Name		-	-
<b>Sub- total</b>		<b>-</b>	<b>-</b>
<b>d) Others(specify)</b>			
cash in hand		-	-
Mobile money- Mpesa, Airtel money		-	-
<b>Sub- total</b>		<b>-</b>	<b>-</b>
<b>Grand total</b>		<b>752,149</b>	<b>-</b>

28. Receivables From Exchange Transactions

Description	2021/22	2020/21
	KShs	KShs
Medical services receivables	773,625	-
Rent receivables	-	-
Other exchange debtors	-	-
Less: impairment allowance	-	-
<b>Total receivables</b>	<b>773,625</b>	<b>-</b>

*Notes to the Financial Statements (Continued)*

**29. Receivables From Non-Exchange Transactions**

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

**30. Inventories**

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

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*Notes to the Financial Statements (Continued)*

**31. Property, Plant and Equipment**

<b>Description</b>	<b>Land</b>	<b>Buildings and Civil works</b>	<b>Motor vehicles</b>	<b>Furniture, fittings, and office equipment</b>	<b>ICT Equipment</b>	<b>Plant and medical equipment</b>	<b>Capital Work in progress</b>	<b>Total</b>
	<b>Shs</b>		<b>Shs</b>	<b>Shs</b>	<b>Shs</b>	<b>Shs</b>	<b>Shs</b>	<b>Shs</b>
<b>Cost</b>								
At 1 July 2020	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-
<b>At 30<sup>th</sup> June 2021</b>	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
At 1 <sup>st</sup> July 2021	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-
<b>At 30<sup>th</sup> June 2022</b>	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
<b>Depreciation and impairment</b>	-	-	-	-	-	-	-	-
At 1 July 2020	-	-	-	-	-	-	-	-
Depreciation for the year	-	-	-	-	-	-	-	-

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

Notes to the Financial Statements (Continued)

32. Intangible Assets-Software

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

33. Investment Property

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

34. Trade And Other Payables

Description	2021/22	2020/21
	KShs	KShs
Trade payables	773,625	-
Employee dues	-	-
Third-party payments (unremitted payroll deductions)	-	-
Audit fee	-	-
Doctors' fee	-	-
<b>Total trade and other payables</b>	<b>773,625</b>	<b>-</b>



*Notes to the Financial Statements (Continued)*

**35. Refundable Deposits from Customers/Patients**

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

**36. Provisions**

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

**37. Finance Lease Obligation**

<b>Description</b>	<b>2021/22</b>	<b>2020/21</b>
	<b>Kshs</b>	<b>Kshs</b>
Current Lease obligation	-	-
Long term lease obligation	-	-
<b>Total</b>	-	-

Notes to the Financial Statements (Continued)

38. Deferred Income

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

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

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

39. Borrowings

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

*Notes to the Financial Statements (Continued)*

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

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

**40. Service Concession Arrangements**

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

**41. Cash Generated from Operations**

	<b>2021/22</b>	<b>2020/21</b>
	<b>KShs</b>	<b>KShs</b>
<b>Surplus for the year before tax</b>		
<b>Adjusted for:</b>	752,149	
Depreciation	-	-
Non-cash grants received	-	-
Impairment	-	-
Gains and losses on disposal of assets	-	-
Contribution to provisions	-	-
Contribution to impairment allowance	-	-
<b>Working Capital adjustments</b>	<b>752,149</b>	
Increase in inventory	-	-
Increase in receivables	-	-
Increase in deferred income	-	-
Increase in payables	-	-
Increase in payments received in advance	-	-
<b>Net cash flow from operating activities</b>	<b>752,149</b>	-

*Notes to the Financial Statements (Continued)*

**42. Financial Risk Management**

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

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

**(i) Credit risk**

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

*Notes to the Financial Statements (Continued)*

<b>Description</b>	<b>Total amount</b>	<b>Fully performing</b>	<b>Past due</b>	<b>Impaired</b>
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2020</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from –non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2022</b>	-	-	-	-
Receivables from exchange transactions	-	-	-	-
Receivables from –non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	-	-	-	-

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has no significant concentration of credit risk on amounts due

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.

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

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

	KShs	Other currencies	Total
	Kshs	Kshs	Kshs
<b>At 30 June 2022</b>			
Financial assets (investments, cash, debtors)	-	-	-
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

The entity manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting expected sales proceeds and matching the same with expected payments.

	KShs	Other currencies	Total
	Kshs	Kshs	Kshs
<b>At 30 June 2022</b>			
Financial assets (investments, cash, debtors)	-	-	-
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

*Notes to the Financial Statements (Continued)*

**Foreign currency sensitivity analysis**

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

	<b>Change in currency rate</b>	<b>Effect on Profit before tax</b>	<b>Effect on equity</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>2022</b>			
Euro	10%	-	-
USD	10%	-	-
<b>2022</b>			
Euro	10%	-	-
USD	10%	-	-

**Interest rate risk**

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

**Management of interest rate risk**

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

**Sensitivity analysis**

The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.



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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of financial performance if current floating interest rates increase/decrease by one Percentage point as a decrease/increase of KShs 0 (2022: KShs 0). A rate increase/decrease of 5% would result in a decrease/increase in surplus of KShs 0 (2022– KShs 0).

**iv) Capital Risk Management**

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

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

**43. Related Party Balances**

**Nature of related party relationships**

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

**Government of Kenya**

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

*Notes to the Financial Statements (Continued)*

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

Description	2021/22	2020/21
	Kshs	Kshs
<b>Transactions with related parties</b>		
<b>a) Services offered to related parties</b>		
Services to Kathiani Level 4	-	-
Sales of services to other facilities	-	-
<b>Total</b>	-	-
<b>b) Grants from the Government</b>		
Grants from County Government	-	-
Grants from the National Government Entities	-	-
Donations in kind	-	-
<b>Total</b>	-	-
<b>c) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for employees	-	-
Payments for goods and services	-	-
<b>Total</b>	-	-
<b>d) Key management compensation</b>		
Directors' emoluments	-	-
Compensation to the medical Sup	-	-
Compensation to key management	-	-
<b>Total</b>	-	-

*Notes to the Financial Statements (Continued)*

**44. Segment Information**

**45. Contingent Liabilities**

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

**46. Capital Commitments**

<b>Capital Commitments</b>	<b>2021/22</b>	<b>2020/21</b>
	<b>Kshs</b>	<b>Kshs</b>
Authorised For	-	-
Authorised And Contracted For	-	-
<b>Total</b>	-	-

**47. Events After The Reporting Period**

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

**48. Ultimate And Holding Entity**

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

**49. Currency**

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

**XVII. Appendices**

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

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

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

.....  
  
**Accounting Officer**

**APPENDIX II: Projects Implemented by The Entity**

**Projects**

Projects implemented by the Hospital Funded by development partners

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

**Status of Projects completion**

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

*Kathiani Level 4 Hospital (Machakos County Government)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2022*

**APPENDIX IV: Inter-Entity Confirmation Letter**

The Kathiani Level 4 Hospital wishes to confirm the amounts disbursed to you as at 30<sup>th</sup> June 2022 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by Kathiani Level 4 Hospital as at 30 <sup>th</sup> June 2022							
Reference Number	Date Disbursed	Amounts Disbursed by County Government of Machakos (KShs) as at 30th June 2022				Amount Received by [beneficiary entity] (KShs) as at 30 <sup>th</sup> June 2021 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
<b>Total</b>							

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

**Head of Accountants department of beneficiary entity:**

**Name .....** **Sign .....** **Date .....**

**APPENDIX V Reporting of Climate Relevant Expenditures**

Name of the Organization

Telephone Number

Email Address

Name of Medical Supp/MD/Head

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

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

**APPENDIX VI Disaster Expenditure Reporting Template**

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