

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF



25/09/2024
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THE AUDITOR-GENERAL

ON

GOT AGULU SUB-COUNTY LEVEL 4 HOSPITAL

FOR THE YEAR ENDED

30 JUNE, 2023

COUNTY GOVERNMENT OF SIAYA

Revised 30th June 2023

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

24 JUL 2024

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GOT AGULU SUB-COUNTY LEVEL 4 HOSPITAL (Siaya County Government)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2023

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

**Got agulu Sub-County Level 4 Hospital (Siaya County Government)
Annual Report and Financial Statements for The Year Ended 30th**



*Got Agulu Sub-County Level 4 Hospital (Siaya County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023*

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1. Acronyms & Glossary of Terms

Provide a list of all acronyms and glossary of terms used in the preparation of this report e.g.

CSR	Corporate Social Responsibility
OSHA	Occupational Health & Safety Act
PFMA	Public Financial Management Act
MED SUP	Medical Superintendent
Fiduciary Management	Key management personnel who have financial responsibility in the entity.
NGO'S	Non-Governmental Organizations
ECL	Expected Credit Loss
PPE	Property Plant & Equipment
OAG	Office of the auditor general

2. Key Entity Information and Management

(a) Background information

Got Agulu Sub-County Hospital is a level (4) hospital established under gazette notice number 87 and is domiciled in Siaya County under the County Health Services Department. The hospital is governed by a Board of Management.

(b) Principal Activities

The principal activity/mission/ mandate of the hospital is to offer quality specialised health services. Its mission being to deliberately build progressive, responsible and sustainable technologically driven, evidence-based and client centered health centre.

(c) Key Management

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

- County Department of Health
- Hospital Management Board, HMB
- Hospital Management Team, HMT led by the Medical Superintendent who is the CEO/Accounting Officer
- Various thematic sub committees

(d) Fiduciary Management

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

No.	Designation	Name
1.	Medical Superintendent	Mr. Edwin Migada
2.	Accountant	CPA Jacob Oduor
3.	Hospital Administrator	Mrs. Pauline Onyango

(e) Fiduciary Oversight Arrangements

The key fiduciary oversight bodies at Got Agulu sub county level 4 hospital for the period ended 30th June 2023 were;

- i. Hospital Audit sub-committees
- ii. Department of Health
- iii. County Internal Audit Department
- iv. Department of Finance
- v. Siaya County Assembly Health committee
- vi. Siaya County Assembly

Key Entity Information and Management (continued)

(f) Entity Headquarters

Uhuaya Market
P.O. Box 110-40606
USENGE, KENYA

(g) Entity Contacts

Telephone: +254739931359
E-mail: gotaguluhospital@gmail.com

(h) Entity Bankers

Kenya Commercial Bank
P. O Box 52-40600
SIAYA

(i) Independent Auditors

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

(j) Principal Legal Adviser

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





(k) County Attorney

P.O. Box.803-40600
Siaya County Headquarters
Siaya, Kenya
Website: www.go.ke

3. The Board of Management

During the year under review the facility did not have an active Board of management this because the term of services of the previous board had expired. In the subsequent year (FY 2023-2024) endeavour to establish the board of management.

4. Key Management Team

Ref	Management		Details
1.	MR. EDWIN MIGADA Diploma in clinical medicine & surgery		Medical Superintendent
2.	BERYL OTIENO Diploma in Kenya Registered Nurse		Nursing Service Manager
3.	PAULINE ONYANGO Certificate in Computer Packages		Health Administrative Officer
4.	CPA JACOB ODUOR Certified Public Accountant		Accountant

5. Chairman's Statement

During the year under review the facility did not have an active Board of management this because the term of services of the previous board had expired. In the subsequent year (FY 2023-2024) endeavour to establish the board of management.

.....
Name **EDWIN MUGADK**

Chairman to the Board



6. Report of The Medical Superintendent

Got Agulu Sub-County Level 4 Hospital management is under the Medical Superintendent

There was no Active board of management during the period.

The financial performance for the period reflects the true view of the entity's performance throughout the financial year since all the income were recorded and all expenditure captured, all the in-kind contributions, payables, inventory and receivables.

Got Agulu sub county hospital have been providing essential healthcare to the community throughout the year under review. The hospital has been offering a range of medical services including primary health care, emergency services, inpatient services, outpatient services, HIV care services, maternal and child health services, maternity services. Additionally, the hospital has been conducting health education and promotion services to promote health awareness and prevent diseases

During the year under review Got Agulu sub county hospital made significant strides in improving the health and well-being of the community it serves. Some of the successes includes reducing maternal and child mortality, increasing vaccination coverage including covid-19, improving access to healthcare services through outreaches and enhancing the overall outcomes of the population. It's important to note that during the period under review the facility did not record any maternal deaths.

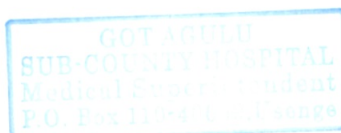
Despite its success Got Agulu sub county hospital faced several challenges during the period under review that hindered its ability to effectively meet the healthcare needs of the community. Some of these challenges include; limited funding and resources, understaffing of professional medical personnel, infrastructure constraints and inadequate medical equipment and supplies. Additionally, the hospital on numerous occasions may face challenges related to disease outbreaks. Flooding along the river Yala banks disrupted patient access to the facility, this in the long run led to surge in disease burden in the community at the same time healthcare workers faced hazardous condition while crossing the river get the hospital.

Looking into the future, Got Agulu sub county hospital is committed to overcome its challenges in the subsequent years in conjunction with Siaya county government and the department of health and all the relevant stakeholders. This will further improve the quality and scope of healthcare services provided in the community. The hospital aims to seek additional funding, deployment of more healthcare professionals, upgrade its infrastructure and equipment and expand the scope of its healthcare programmes to address emerging health issues and community needs. By focusing on innovation, collaboration and community engagement, the hospital is poised to continue making a positive impact on health and wellbeing of the community it serves.



.....
Name **EDWIN MIGORK**

Chairman to the Board



7. Statement Of Performance Against Predetermined Objectives

Introduction

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer when preparing financial statements of Got Agulu Sub-County Level 4 Hospital is in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of Got Agulu Sub-County Hospital Level 4 Hospital performance against predetermined objectives.

Strategic development objectives

Got Agulu Sub-County Hospital performance against 2 identified objectives.

The targets set for the FY 2022/2023 period for its strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar/ theme/ issue 1:				
Health and Sanitation	To reduce mortality from preventable deaths	Reduce disease burden in west Yimbo ward	% of Clients counselled and tested for HIV	90%
			% of HIV positive clients linked to care	99%
	% of WRA who know their HIV status		92%	
	Percentage of HEI turning HIV positive at 18 months		2%	
	% of clients with viral load <1000c/ml		93%	
	No. of accredited CHVs given feedback		20	
	No. of CHAs sensitized on eye health		1	
	No. of half jackets distributed		22	
	No. of CHVs sensitized on NCDs		20	
	No. of CHAs trained on community MNH		1	

8. Corporate Governance Statement

During the year under review the facility did not have an active Board of management this because the term of services of the previous board had expired. In the subsequent year (FY 2023-2024) endeavour to establish the board of management.

9. Management Discussion and Analysis

It is my pleasure to present the Got Agulu Sub-County Hospital financial statements for the year ended 30th June 2023. The financial statements present the financial performance of Got Agulu Sub-County Hospital over the past year.

Got Agulu hospital is an entity under the department of health and sanitation in the devolved government system in Siaya county government.

Section A

The Clinical Operational Performance

- Bed capacity of the hospital-**18**
- Overall patient attendance during the year for both inpatient and outpatient-**8754**
- Accident and Emergency attendance-**0**
- Specialised clinic attendance-**3010**
- Average length of stay for in patient-**4days**
- Bed occupancy rate-**86%**
- Mortality rate-**2.4%**
- Surgical theatre utilisation (number of operations over a period of time)-**nil**
- Sponsorships-**nil**, partnerships-**nil**

Financial performance

Got Agulu Sub-County Level 4 Hospital has three revenue sources that is Facility Improvement Fund, National Hospital Insurance Fund and Linda Mama.

The Hospital was able to generate Kshs. 8,177,402.00 and Kshs 3,876,839.06 In-Kind contribution from the County Government as revenue for the year and a total of Kshs. 10,966,907.71 incurred as expenditures.

The Hospital is continually carrying out its mandate in line with different regulations guiding its operations.

The major risk factor facing the Hospital is the lack of liquidity to finance most of its operations. Moreover, this poses a challenge in terms of offsetting its accrued pending bills.

During the reporting period, the hospital accrued a total of **Kshs 422,790.00** as pending bills.

There were no governance issues noted during the period.

Name **EDNITH MIGADK**

Secretary to the Board



10. Environmental And Sustainability Reporting

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

I. Sustainability strategy and profile

Got Agulu Sub-County Level 4 Hospital has identified the following sustainability priorities; consultative planning and budgeting process, improving own source revenue collection and sourcing for local service providers.

In consultative planning and budgeting process, Got Agulu Sub-County Level 4 Hospital has ensured all stakeholders are brought on board in project identification, implementation to completion and this has ensured project ownership by the intended beneficiaries and ultimately creating the desired impact. The Hospital has developed own source revenue collection strategy as a deliberate effort of laying down strategies of improving own source revenue collected within the hospital.

While implementing the above sustainability priorities, there are broad political and macroeconomic trends from the National outlook that are likely to affect their realization. The major macroeconomic trend projected is high cost of inflation in the country. The high inflation rate will affect the cost of living and production cost that will negatively affect the business environment and eventually own source revenue collection. Similarly, the country is also headed in the electioneering period and the political environment interfere with the sustainability priorities. Notwithstanding, the entity will align its policies to adjust to the microeconomic conditions and implement management plan in the transition period to manage the political environment.

However, in the course of implementation, there are challenges experienced. They include; effects of covid-19, inadequate staffing, inadequate funding and delays in disbursement of funds

II. Environmental performance

Got Agulu Sub-County Level 4 Hospital is yet to establish an environmental policy however, the hospital has adopted county and National laws to guide the public and help in compliance with environmental laws. Some of the environmental and climate change issues experienced within the catchment area includes; flooding in areas near water bodies, drought and famine, invasive species, loss of biodiversity and change in water levels especially in Lake Victoria. These results in outbreak of diseases and emergence of new species of diseases. To manage these, the hospital is developing policies that will help mitigate these dynamic events by re organising its emergency response strategies and realigning its expenditures

III. Employee welfare

To improve staff performance, Got Agulu Sub Hospital has initiated capacity building programmes to staffs through trainings by Kenya School of Government. Further, the Human Resource department coordinates staff appraisal, performance contracting and propose rewards and sanctions.

The County has complied with Occupational Safety and Health Act of 2007, (OSHA) by providing adequate office space that is regularly cleaned, providing sanitation facilities, regular trainings on drug and substance abuse and providing PPEs to staffs in health-related fields.

IV. Market place practices-

Got Agulu Sub-County Level 4 Hospital a corruption free zone. The hospital advocates for fairness in service provision, resource allocation, open bidding, evaluation and awarding of tenders to suppliers. All advertisement of tenders and communications are done in an open & transparent manner. Got Agulu Sub-County Hospital fully embraced the e-procurement system to help in the tendering process. To successful suppliers, the hospital makes timely payment of goods and services delivered and made efforts of settling pending bills owed to creditors. The hospital expects quality goods and services despite not having a quality assurance unit to check on standards. Nonetheless, the process of ISO certification is on course

V. Community Engagements-

Got Agulu Sub Hospital is fostering interaction with businesses, NGOs and other key stakeholders to address social problems through Corporate Social Responsibility (CSR) agenda. Various sectors have partnered with NGO's to provide CSR services. In health sector, the county has partnered with NGO's to provide polio vaccine to new born in the communities, training of expectant mothers, providing mosquito nets and providing food supplements. In agriculture, through partners, farmers have benefitted from free extension services, provision of certified seeds and fertilizers, provision of fingerlings and fishing gears..

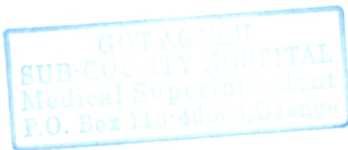
11. Report of The Board of Management

Got Agulu Sub -County Hospital exists to transform lives. It's what guides us to deliver our strategy, putting the client/Citizen first, delivering health services, and improving operational excellence.



.....
Name **EDWIN MIGADI**

Secretary to the Board



12. Statement of Board of Management's Responsibilities

Section 164 of the Public Finance Management Act, 2012 requires the Board of Management to prepare financial statements in respect of Got Agulu Sub-County Level 4 Hospital, which give a true and fair view of the state of affairs of the Got Agulu Sub-County Level 4 Hospital at the end of the financial year/period and the operating results of Got Agulu Sub-County Level 4 Hospital for that year/period. The Board of Management is also required to ensure that Got Agulu Sub-County Level 4 Hospital keeps proper accounting records which disclose with reasonable accuracy the financial position Got Agulu Sub-County Level 4 Hospital. The council members are also responsible for safeguarding the assets of Got Agulu Sub-County Level 4 Hospital.

The Board of Management is responsible for the preparation and presentation of Got Agulu Sub-County Level 4 Hospital financial statements, which give a true and fair view of the state of affairs of Got Agulu Sub-County Level 4 Hospital for and as at the end of the financial year (period) ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of Got Agulu Sub-County Level 4 Hospital; (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 Got Agulu Sub-County Level 4 Hospital financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Board members are of the opinion that Got Agulu Sub-County Level 4 Hospital financial statements give a true and fair view of the state of Got Agulu Sub-County Level 4 Hospital transactions during the financial year ended June 30, 2022, and of the Got Agulu Sub-County Level 4 Hospital financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for Got Agulu Sub-County Level 4 Hospital, which have been relied upon in the preparation of Got Agulu Sub-County Level 4 Hospital 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 Got Agulu Sub-County Level 4 Hospital will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

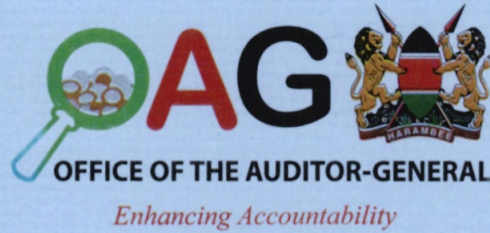
The Hospital's financial statements were approved by the Board on 23/06/2023 and signed on its behalf by:

.....
Name:
Chairperson
Board of Management

.....
Name: EDWIN MUGANDA
Accounting Officer

REPUBLIC OF KENYA

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HEADQUARTERS
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON GOT AGULU SUB-COUNTY LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2023 – COUNTY GOVERNMENT OF SIAYA

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Got Agulu Sub-County Level 4 Hospital – County Government of Siaya set out on pages 1 to 43, which comprise of the

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Got Agulu Sub-County Level 4 Hospital – County Government of Siaya as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, the County Governments Act, 2012 and the Health Act, 2017.

Basis for Qualified Opinion

1.0 Inaccuracies in the Financial Statements

Review of the financial statements submitted for audit revealed the following inaccuracies:

- i. The statement of financial position reflects net assets balance of Kshs.5,780,471 and total net assets and liabilities of Kshs.3,985,630 resulting to a variance of Kshs.1,794,842 and therefore an unbalanced statement.
- ii. The statement of cashflows reflects cash and cash equivalents as at 30 June, 2023 of Kshs.607,567 however the adjustments for the working capital items did not reflect the actual change as per the statement of financial position leading to unexplained variance of Kshs.2,226,555.

	Recomputed Change (Kshs)	Reported Change (Kshs)	Variance (Kshs)
Working Capital Changes			
Increase in Accounts Receivable	1,478,845	1,623,859	145,014
Decrease in Accounts Payable	2,499,820	422,790	2,077,030
Decrease in Inventory	489,122	493,633	4,511
Total Variance			2,226,555

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

2.0 Inconsistencies in Rendering of Services – Medical Service Income

The statement of financial performance and Note 7 to the financial statements reflects revenue from rendering of services - medical services amount of Kshs.8,177,402. Included in this amount is Kshs.5,914,400 received from National Hospital Insurance Fund (NHIF) and Kshs.2,263,002 for Facility Improvement Fund (FIF). However, the following unsatisfactory matters were noted.

- i. The income from the NHIF of Kshs.5,914,400 includes Kshs.2,611,125 which was reported as NHIF receivables without disclosing and identifying the respective income streams from where the receivables accrued.
- ii. Review of NHIF records revealed that the Hospital had a total of Kshs.612,000 of capitated claim, however, records from National Hospital Insurance Fund reflects that only Kshs.108,150 was paid leaving a total of Kshs.503,850 still outstanding. It was also noted that the Hospital does not have data base of the capitated individuals.

In the circumstances, the accuracy and completeness of revenue from rendering of services – medical services amount of Kshs.8,177,402 could not be confirmed.

3.0 Non-Disclosure of Employee Costs Paid by The County Government

The statement of financial performance reflects employee costs amount of Kshs.2,167,719 for casuals and contractual staff as disclosed in Note 9 to the financial statements. The Hospital received services from thirty-six (36) medical staff employed and paid by the county. However, the expenditure was not disclosed in the financial statements and the payroll was not provided for audit verification.

In the circumstances, the accuracy and completeness of employee costs of Kshs.2,167,719 could not be confirmed.

4.0 Cash and Cash Equivalents Balance

The statement of financial position and Note 13 to the financial statements reflects cash and cash equivalents balance of Kshs.607,567. However, the following unsatisfactory matters were noted:

4.1 Irregular Withdrawal from the Revenue Account

Review of the transactions in the Hospital revenue account revealed that a total of Kshs.1,198,312 had been irregularly withdrawn or transferred on diverse dates from the revenue account without express approval from the County Treasury as shown below;

Payee	Amount (Kshs)
Hospital Budget	10,000
Member of Staff	732,900
Revenue for Public Health	84,060
Revenue Operation	210,894
Siaya County Revenue	160,458
Total	1,198,312

4.2 Variance between the Cashbook and the Bank Statements

Review of the records on transfer from the revenue account to the operations account revealed that the amounts transferred from the bank were captured into the operation cash book at inflated amounts and unconfirmed expenditures charged against the same without debiting the bank accounts as shown in the table below.

Date	Cheque No.	Bank Statement (Kshs)	Cash Book (Kshs)	Variance (Kshs)
09/05/2023	769	162,230	255,922	93,692
13/06/2023	778	162,170	424,147	261,977
13/06/2023	779	-	141,383	141,383
09/05/2023	751	-	85,308	85,308
Total		324,400	906,760	582,360

4.3 Unconfirmed Expenditures from the Operation Cashbook

Review of the cashbook revealed existence of expenditure that was not reflected in the bank statement or disclosed under reconciling items in the bank reconciliation statement as analyzed below;

Date	Cheque No.	Bank Statement	Cash Book (Kshs)	Variance (Kshs)
09/05/2023	174	-	122,692	122,692
13/06/2023	185	-	240,000	240,000
13/06/2023	178	-	23,035	23,035
Total			385,727	385,727

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.607,567 could not be confirmed.

5.0 Non-Disclosure of Property, Plant and Equipment

The statement of financial position reflects a Nil property, plant and equipment balance. However, review of Hospital records and physical verification revealed various assets including land, buildings, motor vehicles, furniture, computers and equipment which were not disclosed in the financial statements. Further, the ownership documents for land were not provided for audit.

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

6.0 Non-Disclosure of Donated Drugs

The statement of financial performance reflects a Nil amount on grants from donors and development partners as reported in the financial statements. However, distribution data from Kenya Medical Supplies Authority (KEMSA) revealed that the Hospital received donations and program commodities drugs amounting to Kshs.7,667,415 and Universal Health Coverage of Kshs.167,802 but were not disclosed in the financial statements.

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

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Got Agulu Sub-County Level 4 Hospital Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other

ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.10,402,000 and Kshs.12,046,404 respectively, resulting to an underbudgeting of funding by Kshs.1,644,404 or 16% of the budget. However, the Hospital spent Kshs.10,617,357 against actual receipts of Kshs.12,046,404 resulting to an under-utilization of Kshs.1,429,047 or 12% of actual receipts.

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

My opinion is not modified in respect of this matter.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, 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

1.0 Lack of an Approved Budget

The statement of comparison of budget and actual amounts reflects total budgeted amount of Kshs.10,402,000 for revenue and Kshs.9,940,570 for expenditure. However, there was no evidence of approval of the budget by the County Management. This was contrary to Regulation 29(1) of the Public Finance Management (County Governments) Regulations, 2015.

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

2.0 Lack of a Procurement Unit and Procurement Plan

Review of the operations of the Hospital and its procurement process indicated that it does not have a procurement unit within the facility or a procurement plan, or work plan to guide its procurement processes. This was contrary to the requirements of Regulation 40 of the Public Procurement and Asset Disposal Regulations, 2020 which requires a procuring entity to prepare a procurement plan for each financial year as part of annual budget process.

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

3.0 Deficiencies in Implementation of Universal Health Coverage (UHC)

Review of Hospital records and interviews on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits by ninety-two (92) staff requirements or 91% of the authorized establishment.

Personnel requirements	Level 4 Standard	Actual Numbers	Deficit	Percentage (%)
Medical Officers	16	0	16	100
Anesthesiologists	2	0	2	100
General Surgeons	2	0	2	100
Gynecologists	2	0	2	100
Pediatrics	2	0	2	100
Radiologists	2	0	2	100
Kenya Registered Community Health nurses	75	9	66	88
Total	101	9	92	91

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

Equipment/Machine	Level 4 standard	Actual number	Deficit	Percentage (%)
Bed Capacity	150	17	133	89
Incubators (new born)	5	0	5	100
Cots	5	1	4	80
Resuscitaire in Theatre	1	0	1	100
Resuscitaire in Labour ward	2	0	2	100
Functional ICU Beds	6	0	6	100
HDU Beds	6	0	6	100
Renal Unit with Dialysis Machines	5	0	5	100

Equipment/Machine	Level 4 standard	Actual number	Deficit	Percentage (%)
Functional Operating Theaters Maternity and General	2	0	2	100

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.

4.0 Failure to Transfer Revenue to the County Revenue Fund Account

The statement of financial performance reflects rendering services - medical services income of Kshs.8,177,402 as disclosed in Note 7 to the financial statements. However, the amount was not transferred to 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.

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

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

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

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, except for the matters described in the Basis for Conclusion on 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

1.0 Lack of Board of Management

During the year under audit, it was established that the Hospital did not have a Board of Management for at least the last two years. This had not been remedied at the time of audit in April, 2024.

In the circumstances, the effectiveness of internal controls, risk management and governance in the Hospital during the year under review could not be confirmed.

2.0 Lack of Internal Audit Unit and Audit Committee

The Hospital has not established an audit committee and internal audit function which was contrary to Regulation 167(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires County Government entities to establish audit committees in accordance with prescribed regulations to monitor the entities governance process, accountability process and control systems, offer objective advice on issues concerning risk, control, regulatory requirements and governance.

In the circumstances, the effectiveness of internal controls and risk management could not be confirmed.

3.0 Inadequacies in NHIF Capitation Administration

The Hospital does not maintain a data base of capitated individuals registered to get treatment at the facility, and it was therefore not possible to determine capitation receivable from the National Health Insurance Fund.

In addition, there was no evidence that the National Housing Insurance Fund paid any capitation to the facility during the year under audit since the receipts from the NHIF could not be reconciled to specific classes of claim and no capitation has been reported in the statement of financial performance.

In the circumstances, the effectiveness of internal controls in the management of capitation could not be confirmed.

4.0 Expiry of Medical Supplies

The statement of financial position reflects an inventory balance of Kshs.2,984,569 as disclosed in Note 15 to the financial statements. Review of the store records on pharmaceuticals and non-pharmaceuticals revealed that two hundred (200) units of various drugs valued at Kshs.831,910 had expired.

In the circumstances, the effectiveness of internal controls on the management of pharmaceutical and non-pharmaceutical could not be confirmed

5.0 Lack of Policy Documents

Review of the documents and records provided revealed that the Hospital does not have in place a strategic plan, operational plan, risk management policy, disaster management and recovery policy, ICT Policy and finance policy among others.

In the circumstances, the Hospital is exposed to weak internal controls and may fail to prevent or detect risks.

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

Responsibilities of the Management and the Board of Management

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintain 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 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 continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Hospital or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal 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 noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

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

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

I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control 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, SBS
AUDITOR-GENERAL

Nairobi

11 July, 2024

Got Agulu Sub-County Level 4 Hospital (Siaya County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023

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

Description	Note	2022/23	2021/22
		Kshs	Kshs
Revenue from non-exchange transactions			
In-kind contributions from the County Government	6	3,876,839.06	3,411,265.00
		3,876,839.06	3,411,265.00
Revenue from exchange transactions			
Rendering of services- Medical Service Income	7	8,177,402.00	8,650,140.39
Revenue from exchange transactions		8,177,402.00	8,650,140.39
Total revenue		12,054,241.06	12,061,405.39
Expenses			
Medical/Clinical costs	8	6,468,993.06	4,211,042.00
Employee costs	9	2,167,719.00	1,977,883.00
Repairs and maintenance	10	355,600.00	213,050.00
Grants and subsidies	11	399,039.00	811,634.00
General expenses	12	1,575,556.65	1,949,899.11
Total expenses		10,966,907.71	9,163,508.11
Net Surplus / (Deficit) for the year		1,087,333.35	2,898,297.28

The Hospital's financial statements were approved by the Board on 23/07/2023 and signed on its behalf by:

.....  

Chairman

Head of Finance

Medical Superintendent

Board of Management

ICPAK No:



15. Statement of Financial Position As At 30th June 2023

Description	Note	2022/23	2021/22
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	13	607,567.63	1,214,936.28
Receivables from exchange transactions	14	2,611,125.00	1,132,280.00
Inventories	15	2,984,569.00	3,473,691.00
Total Current Assets		6,203,261.63	5,820,907.28
Non-current assets			
Property, plant, and equipment			
Intangible assets			
Investment property			
Total Non-current Assets			
Total assets		6,203,261.63	5,820,907.28
Liabilities			
Current liabilities			
Trade and other payables	16	422,790.00	2,922,610.00
Refundable deposits from customers/Patients			
Provisions			
Finance lease obligation			
Current portion of deferred income			
Current portion of borrowings			
Social Benefits			
Total Current Liabilities		422,790.00	2,922,610.00
Non-current liabilities			
Provisions			
Non-Current Finance lease obligation			
Non-Current portion of deferred income			
Non - Current portion of borrowings			-
Service concession liability			
Social Benefits			

Got Agulu Sub-County Level 4 Hospital (Siaya County Government)
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Description	Note	2022/23	2021/22
		Kshs	Kshs
Total Non-current liabilities			
Total Liabilities		422,790.00	2,922,610.00
Net assets		5,780,471.63	2,898,297.28
Revaluation reserve		-	-
Accumulated surplus/Deficit		3,985,630.63	2,898,297.28
Capital Fund		-	-
Total Net Assets and Liabilities		3,985,630.63	2,898,297.28

The Hospital's financial statements were approved by the Board on 23/07/2024 and signed on its behalf by:

.....
Chairman
Board of Management


Head of Finance
ICPAK No:


Medical Superintendent



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

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2021	-			-
Revaluation gain	-			-
Surplus/(deficit) for the year	-			-
Capital/Development grants	-			-
As at June 30, 2022				
At July 1, 2023		2,898,297.28		2,898,297.28
Revaluation gain				
Surplus/(deficit) for the year		1,087,333.35		1,087,333.35
Capital/Development grants				
At June 30, 2023		3,985,630.63		3,985,630.63

*Got Agulu Sub-County Level 4 Hospital (Siaya County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023*

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

Description	Note	2022/23	2021/22
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
In- kind contributions from the County Government	6	3,876,839.06	3,411,265.00
Rendering of services- Medical Service Income	7	8,177,402.00	8,650,140.39
Revenue from rent of facilities			
Finance / interest income			
Miscellaneous receipts			
Total Receipts		12,054,241.06	12,061,405.39
Payments			
Medical/Clinical costs	8	6,468,993.06	4,211,042.00
Employee costs	9	2,167,719.00	2,334,272.00
Repairs and maintenance	10	355,600.00	213,050.00
Grants and subsidies	11	399,039.00	811,634.00
General expenses	12	1,575,556.65	1,949,899.11
Total Payments		10,966,907.71	9,163,508.11
Adjusted for			
(Increase)/ Decrease in Accounts Receivable		-1,623,859.00	-1,132,280.00
Increase/(Decrease in Accounts Payable		422,790.00	2,922,610.00
Increase/Decrease in inventory		-493,633.00	-3,473,691.00
Net cash flows from operating activities		-607,368.65	1,214,936.28
Cash flows from investing activities			
Purchase of property, plant, equipment & intangible assets			
Proceeds from the sale of property, plant, and equipment			-
Acquisition of investments			
Net cash flows used in investing activities			
Cash flows from financing activities			
Proceeds from borrowings			

Got Agulu Sub-County Level 4 Hospital (Siaya County Government)
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Repayment of borrowings			
Capital grants received		-	
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		-607,368.65	1,214,936.28
Cash and cash equivalents as at 1 July	13	1,214,936.28	
Cash and cash equivalents as at 30 June	13	607,567.63	1,214,936.28

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	% of utilisation
	a	b	c=(a+b)	d	f=d/c%
	Kshs	Kshs	Kshs	Kshs	
Revenue					
Transfers from the County Government		-			
Grants from donors and development partners		-		-	
In Kind Contribution from County Government	4,000,000		4,000,000	3,876,839	
Transfers from other Government entities		-			
Public contributions and donations		-			
Rendering of services- Medical Service Income	7,965,570	-	7,965,570	8,177,402	103
Revenue from rent of facilities		-			
Finance / interest income		-			
Miscellaneous receipts		-			
Total income	10,402,000	-	10,402,000	12,054,241	151
Expenses		-			
Medical/Clinical costs	4,040,000	-	4,040,000	6,468,993	98.10
Employee costs	2,664,570	-	2,664,570	2,167,719	81
Remuneration of directors		-		-	
Repairs and maintenance	825,000	-	825,000	355,600	43
Grants and subsidies		-		399,039	61.98
General expenses	2,411,000	-	2,411,000	1,575,597	65
Finance costs		-			
Refunds		-			75.90
Capital expenditure	9,940,570	-	9,940,570	10,966,948	138

Got Agulu Sub-County Level 4 Hospital (Siaya County Government)
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Surplus for the period	25,000	-	25,000	1,087,293	
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Budget notes

1. There were no changes between the original and final budget.
2. The projected income for the financial year in review was approximated to be ksh. 10,402,000.00, but the actual income generated was Kshs. 12,054,241.00 resulting to %utilization margin of more than 151%, this is as a result of high patient turn out during the year
3. The % utilization margin of more than 10% under employee cost is explained by the reduction of casual workers
4. The projected expenditure under repairs & maintenance was ksh. 825,000.00 but the actual expenditure incurred was 355,600.00, during the financial year under review resulting to 26% of utilization

The notes set out on pages 6 to 7 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 23/07/2024 and signed on its behalf by:

.....
Chairman
Board of Management



Head of Finance
ICPAK No:



Medical Superintendent



19. Notes to the Financial Statements

1. General Information

Got Agulu Sub-County Level 4 Hospital is established by and derives its authority and accountability from Health Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to provide medical services to the citizens of Kenya

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 Got Agulu Sub-County Hospital accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 11 The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Got Agulu Sub-County Level 4 Hospital

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

3. Adoption of New and Revised Standards

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2023.

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

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

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Standard	Effective date and impact
	Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1 st January 2023.
Other improvements to IPSAS	<p><i>Applicable 1st January 2023</i></p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>
IPSAS 43	<p><i>Applicable 1st January 2025</i></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 leases have on the financial position, financial performance and cash flows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>

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

Standard	Effective date and impact

iii) Early adoption of standards

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

4. Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

Revenues from non-exchange transactions with county 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 Got Agulu Sub-County Hospital and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the asset that has been acquired using such funds.

ii) Revenue from exchange transactions

Rendering of services

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

Sale of goods

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

Interest income

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

Rental income

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

Notes to the Financial Statements (Continued)

b. Budget information

The original budget for FY 2022/23 was approved by Hospital Management on 1st July 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of on the FY 2022-23 budget following the Board's approval. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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

c. Taxes

Sales tax/ Value Added Tax

Taxes

Sales tax/ Value Added Tax

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

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

Notes to the Financial Statements (Continued)

d. Investment property

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

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

Financial assets

Classification of financial assets

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

Subsequent measurement

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

Amortized cost

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

Notes to the Financial Statements (Continued)

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Financial liabilities

Classification

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

Notes to the Financial Statements (Continued)

j. Inventories

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

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

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

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

k. Provisions

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

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

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

Notes to the Financial Statements (Continued)

l. Social Benefits

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

m. 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.

n. 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.

o. Nature and purpose of reserves

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

p. 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.

Notes to the Financial Statements (Continued)

q. 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.

r. 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.

s. 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.

t. Related parties

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

Notes to the Financial Statements (Continued)

u. 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.

v. 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.

w. Comparative figures

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

x. Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Notes to Financial Statements Continued

6. In Kind Contributions from The County Government

Description	2022/23	2021/22
	Kshs	Kshs
Salaries and wages	1,987,719.00	1,977,883.00
Non-Pharmaceutical Supplies	663,769.26	462,558.00
Medical supplies-Drawings Rights (KEMSA)	533,447.80	303,524.00
Pharmaceutical	691,903.00	667,300.00
Total grants in kind	3,876,839.06	3,411,265.00

7. Rendering of Services-Medical Service Income

Description	2022/23	2021/22
	Kshs	Kshs
Pharmaceuticals	419,434.00	540,900.00
Non-Pharmaceuticals		
Laboratory	807,604.00	523,665.00
Radiology		
NHIF Receivable	2,611,125.00	1,132,280.00
Medical Records	154,060.00	197,536.00
Outpatient Services	231,041.00	74,834.39
Anesthesia Service		
Ear Nose and Throat service		
Reproductive health- Linda Mama	1,095,600.00	3,559,707.00
Morgue services	86,760.00	
Inpatient services	564,103.00	418,395.00
Reproductive health		
Paediatrics services		
Other medical services income		441,500.00
<i>NHIF & UHC</i>	2,207,675.00	1,761,323.00
Total revenue from the rendering of services	8,177,402.00	8,650,140.39

Notes to the Financial Statements (Continued)

8. Medical/ Clinical Costs

Description	2022/23	2021/22
	Kshs	Kshs
Dental costs/ materials		-
Laboratory chemicals and reagents	909,995.80	560,474.00
Public health activities		-
Food and Ration	2,061,160.00	1,420,350.00
Uniform, clothing, and linen		-
Dressing and Non-Pharmaceuticals	2,171,570.26	862,558.00
Pharmaceutical supplies	895,467.00	852,160.00
Health information stationery		-
Reproductive health materials		-
Sanitary and cleansing Materials	430,800.00	515,500.00
Purchase of Medical gases		-
X-Ray/Radiology supplies		-
Other medical related clinical costs (oxygen gases)		
Total medical/ clinical costs	6,468,993.06	4,211,042.00

9. Employee Costs

Description	2022/23	2021/22
	Kshs	Kshs
Salaries, wages, and allowances	2,167,719.00	1,977,883.00
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>)		-
Employee costs	2,167,719.00	1,977,883.00

Notes to the Financial Statements (Continued)

10. Repairs And Maintenance

Description	2022/23	2021/22
	Kshs	Kshs
Property- Buildings	323,000	213,050.00
Medical equipment		-
Office equipment		-
Furniture and fittings		
Computers and accessories		-
Motor vehicle expenses	32,600	-
Maintenance of civil works		-
Total repairs and maintenance	355,600	213,050.00

Notes to the Financial Statements (Continued)

11. Grants And Subsidies

Description	2022/23	2021/22
	Kshs	Kshs
Community development and social work	-	-
Education initiatives and programs	-	-
Free/ subsidised medical camp	-	-
Disability programs	-	-
Free cancer screening	-	-
Social benefit expenses	-	-
Other grants and subsidies(<i>specify</i>)	399,039.00	811,634.00
Total grants and subsidies	399,039.00	811,634.00

12. General Expenses

Description	2022/23	2021/22
	Kshs	Kshs
Advertising and publicity expenses	-	-
Catering expenses		75,000.00
Waste management expenses		-
Insecticides and rodenticides		-
Bank charges	7,888.39	9,759.11
Audit fees		-
Purchase of staff uniform		-
Consultancy fees		-
Contracted services		-
Electricity expenses	113,000.00	125,000.00
Fuel and Lubricants		-
Insurance		-
Research and development expenses	-	
Travel and accommodation allowance		20,000.00
Legal expenses		-
Licenses and permits		-
Courier and postal services		
Printing and stationery	491,550.00	829,700.00

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Description	2022/23	2021/22
	Kshs	Kshs
Hire charges		-
Rent expenses		-
Water and sewerage costs	389,000.00	190,000.00
Skills development levies		-
Telephone and mobile phone services	78,154.00	18,000.00
Fuel, oil & lubricants	150,000.00	35,000.00
Other fuel (Charcoal and firewood)	46,000.00	327,040.00
DSA	147,000.00	
Internet expenses		-
Staff training and development		-
Other operating expenses	152,964.26	320,400.00
Subscriptions to newspapers periodical, magazines, and gazette notices		-
Computers, printers & other IT Equipment		-
Total General Expenses	1,575,556.65	1,949,899.11

Got Agulu Sub-County Level 4 Hospital (Siaya County Government)
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Notes to the Financial Statements (Continued)

13. Cash And Cash Equivalents

Description	2022/23	2021/22
	Kshs	Kshs
Current accounts-Revenue a/c	607,260.89	1,213,520.89
Current account-Operation a/c	306.74	1,415.39
Fixed deposits accounts	-	-
Cash in hand	-	-
Others(<i>specify</i>)- Mobile money	-	-
Total cash and cash equivalents	607,567.63	1,214,936.28

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Notes to the Financial Statements (Continued)

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

Description		Period ended 30th June 2023	Prior Year audited
Financial institution	Account number	Kshs	Kshs
a) a) Current account			
Got Agulu Sub County Hospital	01141623362001	306.74	1,415.39
Got Agulu Sub County Hospital	01141623362000	607,260.89	1,213,520.89
			-
b)			
Sub- total		607,567.63	1,214,936.28
b) On - call deposits			
Kenya Commercial bank		-	-
c) Equity Bank –etc			
Sub- total		-	-
c) Fixed deposits account			
Bank Name		-	-
d)			
Sub- total		-	-
d) Others(specify)			
cash in hand		-	-
Mobile money- Mpesa, Airtel money		-	-
Sub- total		-	-
Grand total		607,567.63	1,214,936.28

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Notes to the Financial Statements (Continued)

14. Receivables From Exchange Transactions

Description	2022/23	2021/22
	Kshs	Kshs
Medical services receivables	2,611,125.00	1,132,280.00
Rent receivables	-	-
Other exchange debtors		
Less: impairment allowance	-	-
Total receivables	2,611,125.00	1,132,280.00

Analysis of Receivables From Exchange Transactions

Description	2022/23		2021/22	
	Kshs		Kshs	
	2022/2023	% of the total	2021/2022	% of the total
Less than 1 year	-	%	-	%
Between 1- 2 years	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (a+b)	-	%	-	%

Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (a+b)	-	%	-	%

Notes to the Financial Statements (Continued)

15. Inventories

Description	2022/23	2021/22
	Kshs	Kshs
Pharmaceutical supplies	479,820.00	158,384.00
Non pharms supplies	1,884,316.00	2,726,216.00
Food supplies	14,680.00	21,140.00
Laboratory supplies	605,753.00	567,951.00
Cleaning materials supplies	-	-
General supplies	-	-
Less: provision for impairment of stocks	-	-
Total	2,984,569.00	3,473,691.00

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Notes to the Financial Statements (Continued)

16. Trade and other Payables

Description	2022/23		2021/22	
	Kshs		Kshs	
Trade payables	422,790.00		2,922,610.00	
Employee dues	-		-	
Third-party payments (e.g. unremitted payroll deductions)	-		-	
Audit fee	-		-	
Doctors' fee	-		-	
Total trade and other payables	422,790.00		2,922,610.00	
		% of the Total		% of the total
Ageing analysis:	2022/2023	l	2021/2022	
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total	-	%	-	%

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 Notes to the Financial Statements (Continued)

17. Cash Generated from Operations

Description	2022/23	2021/22
	Kshs	Kshs
Surplus for the year before tax	1,087,293.35	2,898,297.28
Adjusted for:		
Depreciation		
Non-cash grants received		
Impairment		
Gains and losses on disposal of assets		
Contribution to provisions		
Contribution to impairment allowance		
Working Capital adjustments		
Increase in inventory	-493,633.00	-3,473,691.00
Increase in receivables	-1,623,819.00	-1,132,280.00
Increase in deferred income		
Increase in payables	422,790.00	2,922,610.00
Increase in payments received in advance		
Net cash flow from operating activities	-607,368.65	1,214,936.38

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Notes to the Financial Statements (Continued)

18. 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:

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2022(previous year)				
Receivables from exchange transactions				
Receivables from –non-exchange transactions				
Bank balances				
Total				
At 30 June 2023 (current year)				
Receivables from exchange transactions				
Receivables from –non-exchange transactions				
Bank balances				
Total				

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Notes to the Financial Statements (Continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable. The hospital 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.

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

Notes to the Financial Statements (Continued)

(iii) Market risk

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

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

a) Foreign currency risk

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

Description	KShs	Other currencies	Total
	Kshs		Kshs
At 30 June 2023			
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.

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Notes to the Financial Statements (Continued)

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

Foreign currency sensitivity analysis

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

Description	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2022 (previous year)			
Euro	10%		
USD	10%		
2023 (current year)			
Euro	10%		
USD	10%		

b) Interest rate risk

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

Management of interest rate risk

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

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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.

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). A rate increase/decrease of 5% would result in a decrease/increase in surplus).

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:

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

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19. 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.

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

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

20. Events after the Reporting Period

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

21. Ultimate and Holding Entity

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

22. Currency

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

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20. Appendices

Appendix 1: Progress on Follow Up of Auditor Recommendations

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

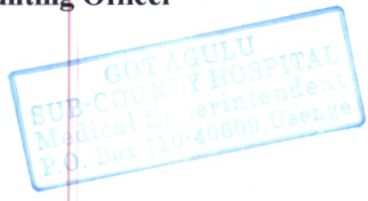
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

Guidance Notes:

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



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Accounting Officer



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Appendix II: Projects Implemented by The Entity

Projects

Projects implemented by the Hospital Funded by development partners

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

Status of Projects completion

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

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Appendix III: Inter-Entity Confirmation Letter

[Insert your Letterhead]


[Insert name of beneficiary entity]
 [Insert Address]

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

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

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

Head of Accounts Department of the beneficiary entity:

Name KOLA WELLINGTON Sign  Date 30/6/23

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Appendix IV Reporting of Climate Relevant Expenditures

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

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Appendix V: Disaster Expenditure Reporting Template

Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments