

REPUBLIC OF KENYA



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REPORT

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THE AUDITOR-GENERAL

ON

MBITA LEVEL 4 HOSPITAL

FOR THE YEAR ENDED
30 JUNE, 2022

COUNTY GOVERNMENT OF HOMA BAY



REPUBLIC OF KENYA

**COUNTY GOVERNMENT OF HOMABAY
DEPARTMENT OF HEALTH SERVICES
MBITA SUB COUNTY HOSPITAL
OFFICE OF MEDICAL SUPERINTENDENT
P.O.BOX 50 – 40305
MBITA**

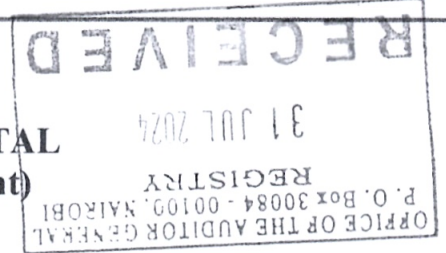
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HOMA BAY

**MBITA SUB COUNTY HOSPITAL
(Homa Bay County Government)**



**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE, 2022**

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

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1. Acronyms & Glossary of Terms

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

2. Key Entity Information and Management

(a) Background information

Mbita Sub County Hospital is a level (4) hospital established under gazette notice number 786 and is domiciled in Homa Bay County under the Department of Health Services. A Board of Management governs the hospital.

(b) Principal Activities

The principal activity/mission/ mandate of the *hospital* is to

- (i) Provide affordable and accessible universal health coverage
- (ii) To modernize infrastructure, machinery and equipment
- (iii) To attain financial sustainability
- (iv) To strengthen human resource capability
- (v) To develop facility health management information system

Vision

To offer high quality and integrated medical care services that are affordable and accessible.

Mission

To be a well-established institution offering high quality efficient integrated medical care services and training of competent health care workers

Mandate

To provide conducive environment that enhance active participation in the provision of high quality medical care services.

(c) Key Management

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

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

(d) Fiduciary Management

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

No.	Designation	Name
1.	Medical Superintendent	Dr Mary Amuko
2.	Health Administrative Officer	Mr Joseph Kopudo
3.	Director Nursing Services (NO I/C)	Mrs Japheth Omwanda
4.	Head of finance/Accounts	Mrs Pamela Kingi

(e) Fiduciary oversight Arrangement

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

I. Medicines and Therapeutic Committee

The Medicines and Therapeutics Committee (MTC) is a multidisciplinary committee responsible for overseeing policies and procedures related to all aspects of medicines and other HPT use. Medicines and therapeutics committees (MTCs) is formed to improve diagnosis and treatment processes through proper dispensing of medicines. Its importance appears in different aspects such as drug selection process, cost-effectiveness, and control of drug losses. MTCs have shown an important role in promoting, controlling and educating activities of rational drug use.

Members are:

Dr. Mary Amuko (Medical Superintendent) – Chairperson

Dr. Felix Okuta (Pharmacist) – Secretary

Mr. Herbert Ochieng (Clinical officer)

Mr. George Ayot (Deputy Nursing Officer)

Ms Christine Amondi (Lab Manager)

Mr. Joseph Kopudo (Hospital Administrator)

II. Billing and Waiver Committee

The billing and waiver committee is responsible for ensuring that the citizens receive healthcare services, tracking patient bill status to ensure that bills that patients unable to pay are waived or exempted in line with the government policy.

The members are;

George Ayot (Deputy Nursing Officer) – Chairperson

Emmaculate Achieng(Social Work)

Pamela Kingi (Accountant)

Joseph Kopudo (Administrator)

Herbert Ochieng (Clinical Officer)

III. Infection and Prevention Committee

This committee looks into the prevention of infection in the facility

IV. Catering Committee

This committee advises and monitors patient diet

V. Hospital Management Team

This committee consists of all Hospital departmental heads who run the facility through general management and effective decision-making. The team ensures that all procedures are adhered to and that clients receive quality services through HMT follow up meetings

VI. Hospital finance Committee

Goes through departmental budget proposals and ensure the allocations are done putting into consideration priorities.

VII. Hospital Management Committee

Oversight and resource mobilization roles to the facility.

(f) Entity Headquarters
P.O. Box 469-40300
Homa Bay, KENYA
Entity Contacts
Telephone: (254) 2038617565/55
E-mail: governorsofficehomabaycounty.go.ke
Website: www.Homa Bay.go.ke




(g) Entity Contacts
P.O. Box 50,40305
Mbita ,Kenya
Telephone: (+254) 715593766
E-mail: mbitaschospital@gmail.com

(h) Entity Bankers
Kenya Commercial Bank
Mbita Branch



(i) Independent Auditors
Auditor General
Office of Auditor General
Anniversary Towers, Institute Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

(j) Principal Legal Adviser
The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya




3. The Board of Management

Ref	Directors	Details
1.	<p>Mr. Erustus Okoth</p> 	<p>Chairman/Financial Expert</p>
2.	<p>Dr. Mary Amuko</p> 	<p>Medical Superintendent</p>
3.	<p>Mr.. George Odhiambo Konguru</p> 	<p>Member of the Board representing people with disability</p>

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4.	<p>MR. Samwuel Peterlis Ayub</p> 	<p>Represents the Community Based Organization.</p>
5.	<p>MR. Felix Orwa Ojwaya</p> 	<p>Representing faith based organizations</p>

4. Management Team

No.	Designation	Qualification
1.	<p>Medical Superintendent</p>  <p>Dr. Mary Amuko</p>	Bsc. Medicine and Surgery
2.	<p>Health Administrative Officer</p>  <p>Mr Joseph Kopudo</p>	Administration
3	<p>Accountant</p>  <p>Pamela Kingi</p>	Account

5. Chairman's Statement

It is my pleasure to present to you the Annual Report and Financial Statements of Mbita Sub County Hospital for the financial year ended 30 June 2022. The Board of Management is proud of the achievements realized by the hospital in this period towards "Offering high quality and integrated medical care services that are affordable and accessible". Considering the scale and complexity of operations of this hospital in Homa Bay County, I am particularly impressed by the staff commitment to delivering the best possible service to patients.

Regulatory Environment

Management and operations of the hospital is guided by the existing legal, policy, and institutional frameworks that govern health sector to ensure efficient and effective delivery of services in the

Hospital. The Kenyan Constitution 2010 under the Bill of Rights provides the right to the highest attainable standard of health including reproductive health care and emergency medical treatment.

In addition, the Health Act 2016 establishes a unified health system that coordinates the inter-relationship between the national government and county government health systems, provides for regulation of health care services and health care service providers, health products and health technologies for connected purposes. It also provides for Health financing; Research; E-Health; Human organs and tissue transplant; Traditional and alternative medicine; Mental; Environmental and Public health; Standards of health; Reproductive health; and Emergency treatment. With this in mind, and the strategic placement of Mbita Sub County Hospital in the health sector, the Board is committed to ensure continued quality service delivery to the citizens.

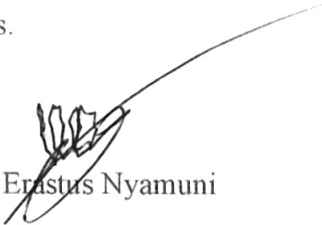
Sector Alignment

Universal healthcare (UHC) is one of the big four agenda at the National level and points to the universal Sustainable Development Goal 2030 of Good Health and Well-being. The agenda aims at providing affordable healthcare for all households through NHIF scheme. The Kenyan Vision 2030 aims at creating a globally competitive and prosperous country by providing a high quality

of life for all its citizens. Under the social pillar, the overall goal of the Health Sector is to provide equitable, affordable and quality healthcare to all citizens.

Acknowledgement

On behalf of the Board, I would like to thank all our stakeholders especially the County Government of Homa Bay, Ministry of Health, National Hospital Insurance Fund , Development partners and the community at large for the support they continue to accord the hospital without which our achievements would not have been realized. As we move into a new year, I would like to express my gratitude to Mbita Sub County Hospital staff, Hospital Management Team leaders and the Board, who have worked sacrificially and who exemplify our hospital's mission and vision each day. Finally, I strongly believe that our strategy and the staff in place will consistently drive the future development of Mbita Sub County hospital, as has been over the years.



Mr. Erastus Nyamuni

Chairman – MSCH Board of Management

6. Report of the Medical Superintendent

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

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

I. PERFORMANCE OVER VIEW

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

Entity Main Objective.

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

Sub Objectives

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

These Objectives are well highlighted in Kenya's epidemiological profile

Summary of Achievements:

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

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

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

Challenges and Mitigation Measures:

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

Mitigation Measures:

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

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

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



Dr. Mary Amuko

Medical Superintendent

7. Statement of Performance Against predetermined Objectives

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

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

OBJECTIVES

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

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

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

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

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

	<p>5. To develop facility Health Management Information System.</p>	<p>Health Service Providers for technical support.</p> <p>-Up scaling quick and efficient service delivery.</p> <p>-ICT systems in place.</p> <p>-Build staff ICT capacity.</p> <p>-Improve access to ICT materials.</p>	<p>-Upgrade ICT systems.</p> <p>-Build staff ICT capacity by training.</p> <p>-Improve access to IEC materials.</p>	
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8. Corporate Governance Statement

The facility holds quarterly board meetings with sub-committee meetings as need may arise. The sub committees includes

	Governance Parameter	Governance Practice
1.0	Ethics and Integrity	1. The facility commits: <ul style="list-style-type: none"> (a) Provide ethical leadership in the management of the organization. (b) Establish the core values of the organization and ensure that the values are aligned to the Constitution of Kenya and underpin sustainable practices. (c) Ensure that all members of the organization adhere to the core values. (d) Ensure that the corporate strategy includes measurable targets for improving ethical behavior. (e) Ensure that the ethical practices of the organization are effectively monitored.
1.1	Code of Conduct and Ethics	1. The facility commits: <ul style="list-style-type: none"> (a) Ensure that a code of conduct and ethics is developed. (b) Ensure that all members of the organization subscribe to the code of conduct and ethics. (c) Review the code of conduct and ethics as necessary. (d) Promote ethical conduct and sanction misconduct. (e) Ensure that a corporate gifts policy is in place. (f) Receive from the Committee responsible for Governance and Compliance, a report on the level of adherence to the code of conduct and ethics by members of the organization.

Mbita Sub County Hospital (Homa Bay County Government)
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	Governance Parameter	Governance Practice
1.2	Conflict of Interest	<ol style="list-style-type: none"> 1. The facility management commits to ensure that a policy on the management of conflict of interests is in place. 2. The facility management commits to: <ol style="list-style-type: none"> (a) Declare any real or perceived conflict of interest with the organization upon appointment to the Board. (b) Declare to the Board any real or perceived conflict of interest that may subsequently arise. (c) Not take part in any discussions or decision-making regarding any subject or transaction in which they have a conflict of interest. (d) Not influence in any manner whatsoever decision making on any matter in which they have interest.
1.3	Corporate Reputation and Image	<ol style="list-style-type: none"> 1. The facility management commits to: <ol style="list-style-type: none"> (a) Ensure that the organization develops a strategy on corporate reputation and image. (b) Promote a positive image of the organization.
1.4	Corporate Social Responsibility and Investment	<ol style="list-style-type: none"> 1. The facility management commits to: <ol style="list-style-type: none"> (a) That a policy on good corporate citizenship is in place. (b) That the policy on good corporate citizenship is implemented. (c) That a sustainable and appropriate budget is allocated for corporate social responsibility and investment. (d) That the organization respects and promotes sustainable environment.
1.5	Whistle-Blowing	<ol style="list-style-type: none"> 1. The facility board should ensure that: <ol style="list-style-type: none"> (a) There is a whistle blowing policy in the organization. (b) The whistle-blowing policy protects and prohibits victimization of those who disclose or provide information in good faith. (c) An independent party is responsible for receiving and investigating reports received.

9. Management Discussion and Analysis

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

Clinical Performance

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

Overall patient attendance

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

Average Length of Stay

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

Mortality Rate

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



Dr. Mary Amuko

Medical Superintendent

10. Environmental and Sustainability Reporting

Mbita Sub County Hospital exists to transform lives of human beings and their environment.

This is what guides us to deliver our strategy, putting the client/Citizen first, delivering health services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

Sustainability strategy and profile

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

i) Environmental performance

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

ii) Employee welfare

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

iii) Market place practices-

a) Responsible competition practice.

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

b) Responsible Supply chain and supplier relations

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

c) Responsible marketing and advertisement

The hospital maintains ethical marketing practices.

iv) Corporate Social Responsibility / Community Engagements

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

11. Report of The Board of Management

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

Principal activities

The principal activities of the entity are ;

- (i) Provide affordable and accessible universal health coverage
- (ii) To modernize infrastructure, machinery and equipment
- (iii) To attain financial sustainability
- (iv) To strengthen human resource capability
- (v) To develop facility health management information system.

Results

The results of the entity for the year ended June 30 ,2022 are set out on page 1-53

Board of Management

The members of the Board who served during the year are shown on page viii. During the year 2021/22 no board member retired/ resigned and none was appointed.

Auditors

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

By Order of the Board



Dr. Mary Amuko
Secretary of the Board

12. Statement of Board of Management's Responsibilities

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

The Board of Management is responsible for the preparation and presentation of the hospital financial statements, which give a true and fair view of the state of affairs of the hospital for and as at the end of the financial year ended on June 30, 2022. This responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity,
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud,
- (iv) Safeguarding the assets of the hospital
- (iv) Selecting and applying appropriate accounting policies, and
- (vi) making accounting estimates that are reasonable in the circumstances.

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


Mbita Sub County Hospital (Homa Bay County Government)
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the hospital's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Hospital's financial statements were approved by the Board on 8/07/2024 and signed on its behalf by:


Mr. Erastus Nyamuni
Chairperson
Board of Management


Dr. Mary Amuko
Accounting Officer

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

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

PREAMBLE

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

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

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 Mbita Level 4 Hospital - County Government of Homa Bay set out on pages 1 to 31, which comprise the statement of financial position as at 30 June, 2022, and the statement of financial of performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

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

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 Mbita Level 4 Hospital as at 30 June, 2022 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis), the Public Finance Management Act, 2012, the County Governments Act, 2012 and the Health Act, 2017.

Basis for Qualified Opinion

1. Unsupported In-Kind Contributions

The statement of financial performance reflects a balance of Kshs. 250,000 in respect to in kind contributions from the County Government and as disclosed in note 1 to the financial statements. However, the balance was not supported by both the delivery notes from the Kenya Medical Supplies Agency (KEMSA) and inventories of supplies received from the County Government.

In the circumstances, the accuracy and completeness of the in-kind contributions from the County Government balance of Kshs.250,000 could not be confirmed.

2. Long Outstanding Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs.1,267,250 as disclosed in Note 11 to the financial statements, being National Hospital Insurance Fund (NHIF) rebates. However, the balance has been outstanding for more than twelve (12) months while the contract between the Hospital and NHIF indicates the period to pay genuine claims is within 30 days of submission of claims.

In the circumstances, the recoverability of the outstanding receivables from exchange transactions of Kshs.1,267,250 could not be confirmed.

3. Doubtful Ownership of Property, Plant and Equipment

The statement of financial position reflects a balance of Kshs.12,375,024 in respect to property, plant and equipment and as disclosed in Note 12 to the financial statements. However, the hospital did not have ownership documents (title deeds) for the land on which it is built and Logbooks for the motor vehicles in its possession.

In the circumstances, the ownership of the property, plant and equipment balance of Kshs.12,375,024 could not be confirmed.

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and based on the audit procedures performed, except for the matter(s) 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. Pending Trade Payables

The statement of financial position as disclosed in Note 14 to the financial statements reflects trade payables balance of Kshs.7,036,578. However, the balance has been outstanding for more than one-year casting doubts on its payment and the penalties thereof. This is Contrary to Section 53(8) of the Public Procurement and Asset Disposal Act, 2015 which states that an Accounting Officer shall not commence any procurement proceedings until satisfied that sufficient funds to meet the obligations of the resulting contract(s) are reflected in approved budget estimates.

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

2. Procurement Using Temporary Imprest

The statement of financial performance reflects expenditure on repairs and maintenance of Kshs.1,243,030 as disclosed in Note 6 to the financial statements. Included in this amount is Kshs.501,800 being imprest issued to purchase goods and services for the facility. This is contrary to Regulation 92(a) of Public Procurement and Asset Disposal Act, 2020 on low value procurements states that the estimated cost of the goods, works or services being procured per item per financial year is as per the threshold matrix in the second schedule

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

3. 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 as analyzed below;-

Staff Requirements	Level 4 Standard	Number in Hospital	Variance	Percentage %
Medical officers	16	3	13	81
Anesthesiologists	2	3	(1)	
General surgeons	2	0	2	100
Gynecologists	2	0	2	100
Pediatrics	2	2	0	0
Radiologists	2	1	1	50
Kenya Registered Community Health Nurses	75	23	52	69
Total	101	32	69	68

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

Service	Level 4 Hospital Standard	Actuals in the Hospital	Variance	Percentage %
Beds	150	72	78	52
Resuscitaire (2 in Labor & 1 In Theatre)	2	1	1	50
New Born Unit Incubators	5	5	0	0
New Born Unit Cots	5	1	4	80
Functional ICU Beds	6	2	4	67
High Dependency Unit (HDU) Beds	6	2	4	67
Renal Unit with at least 5 Dialysis Machines	5	0	5	100
Two Functional Operational Theatres - Maternity & General	2	2	0	0

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 may not be able to deliver on its mandate and is 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 the effectiveness of internal controls, risk management and governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Lack of Internal Audit Function

Review of records and processes revealed that the Hospital did not have operational internal audit function for the period under review. It was observed that the Hospital relied on internal audit unit of the County Government. This is contrary to Section 155 (1) of the Public Finance Management Act, 2012 which states that a County Government's entity shall ensure that it has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board.

In the circumstances, Management did not enjoy the oversight benefits as a result of lack of a functional internal audit.

2. Lack of Risk Management Policy

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

In the circumstances, the Hospital is exposed to disruption of its services in the likelihood of an adverse event happening.

3. Lack of Approved Disaster Recovery Plan, Approved IT strategic plan and Approved IT Policy

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

In the circumstances, if a disruptive event occurs within the organization, affecting the information systems, it would be impossible to recover or continue operating normally. The organization may also suffer data loss and non-productivity.

4. Unsatisfactory Board of Management Activities

Review of the Board of Management activities and related documents availed for audit revealed the following anomalies: -

- i. There were no both work plans and Board calendar of events in guiding the Board's activities.
- ii. There was no attendance register for Board meetings held during the year.
- iii. The Board did not constitute the various sub committees to assist the main Board.
- iv. Appointment letters and the gazette notice appointing the Board members were all missing.

In the circumstances, the Hospital may not achieve its strategic objectives.

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

Responsibilities of Management and the Board of Management

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

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

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

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



FCPA Nancy Gathungu, SBS
AUDITOR-GENERAL

Nairobi

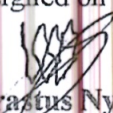
20 June, 2024

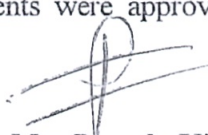
14. Statement of Financial Performance for The Year Ended 30 June 2022


	Note	2021-2022 KShs
Revenue from non-exchange transactions		
In kind Contributions from the County Government	1	525,417
		525,417
Revenue from exchange transactions		
Rendering of Services	2	1,088,876
NHIF Receipt	3	6,733,890
		7,822,766
Total revenue		8,348,183
Expenses		
Medical/Clinical Costs	4	5,912,383
Employee Costs	5	581,500
Repairs & Maintenance	6	1,243,030
General Expenditure	7	5,542,212
Depreciation and Amortization	8	822,759
Total expenses		14,101,884
Deficit for the period		(5,753,701)

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

The Hospital's financial statements were approved by the Board on 8/07/2022 and signed on its behalf by:


Mr. Erastus Nyamuni
Chairman


Mrs. Pamela Kingi
Accountant In-Charge


Dr. Mary Amuko
Medical Superintendent

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

	Note	2021-2022 KShs
Assets		
Current assets		
Cash and cash equivalents	9	1,984,780
Inventories	10	368,420
Receivables from Exchange Transactions	11	1,267,250
Non-Current Assets		
Property, Plant and Equipment	12	12,375,024
Intangible Assets-Software	13	20,000
TOTAL ASSETS		16,015,474
Liabilities		
Trade Payables	14	7,036,578
Net Assets		
Accumulated Funds/Capital Fund		8,978,896
Total net assets and liabilities		16,015,474

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


The Hospital's financial statements were approved by the Board on 8/07/2024 and signed on its behalf by:


Mr. Erastus Nyamuni
Chairman

Board of Management


Mrs. Pamela Kingi

Accountant-In- Charge

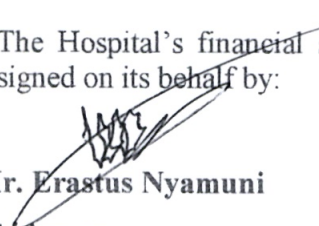

Dr. Mary Amuko
Medical Superintendent

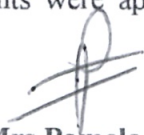
16. Statement of Changes in Net Asset for The Year Ended 30 June 2022


	Accumulated Surplus	Capital Fund	Total
	KShs		KShs
Balance as at 1 July 2021		702,965	702,965
Surplus/(deficit) for the period	(5,753,701)		(5,753,701)
Capital Fund		8,978,896	8,978,896
Balance as at 30 June 2022	(5,753,701)	9,681,861	3,928,160

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

The Hospital's financial statements were approved by the Board on 2/07/2024 and signed on its behalf by:


Mr. Erastus Nyamuni
Chairman
Board of Management


Mrs. Pamela Kingi
Accountant In-Charge
ICPAK No:


Dr. Mary Amuko
Medical Superintendent


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


	Note	2020-2021
		KShs
Cash flows from operating activities		
Revenue from exchange transactions		
Rendering of Services	2	1,088,876
NHIF Receipt	3a	6,733,890
Total Receipts		7,822,766
Payments		
Medical/Clinical Costs	4a	2,804,602
Employee Costs	5a	358,000
Repairs & Maintainance	6a	447,000
General Expenditure	7a	2,931,349
Total Payments		6,540,951
Cash flows from operating activities		1,281,815
Net increase/(decrease) in cash and cash equivalents		1,281,815
Cash and cash equivalents at 1 JULY 2021		702,965
Cash and cash equivalents at 30 JUNE	7	1,984,780

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

The notes set out on pages 1 to 31 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 8/07/2024 and signed on its behalf by:


Mr. Erastus Nyamuni
 Chairman
 Board of Management


Mrs. Pamela Kingi
 Accountant In-charge
 ICPAK No:


Dr. Mary Amuko
 Medical Superintendent

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2021-2022	2021-2022	2021-2022	2021-2022	2021-2022	
Revenue	KShs	KShs	KShs	KShs	KShs	
In kind Contributions from the County Government	500,000	-	500,000	250,000	250,000	-
Rendering of Services	960,000		960,000	1,088,876	(128,876)	112
NHIF Receipt	9,540,000		9,540,000	6,733,890	2,806,110	71
Total income	11,000,000	-	11,000,000	8,072,766	2,927,234	73
					-	
Expenses						
Medical/Clinical Costs	5,915,653	-	5,915,653	5,636,966	278,687	96
Employee Costs	588,000		588,000	581,500	6,500	99
Repairs & Maintenance	700,000		700,000	1,243,030	(543,030)	177
General Expenditure	3,796,347		3,796,347	5,542,212	(1,745,865)	147
					-	
Total expenditure	11,000,000	-	11,000,000	13,003,708	(2,003,708)	118
Deficit for the period	-	-	-	(4,930,942)		

Budget notes

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

The notes set out on pages 1to 31 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 8/07/2024 and signed on its behalf by:


Mr. Erastus Nyamuni

Chairman
Board of Management


Mrs. Pamela Kingi

Accountant In-Charge


Dr. Mary Amuko

Medical Superintendent

19. Notes to the Financial Statements

1. General Information

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

2. Statement Of Compliance And Basis Of Preparation

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

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

3. Adoption of New and Revised Standards

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

Notes to the Financial Statements (Continued)

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

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity’s future cash flows.</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 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>

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

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

surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

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

Notes to the Financial Statements (Continued)

f) Leases

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

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

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

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

g) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite. The intangible asset relates to upgrade of the Software (Hospital Information Management System) which is a work in progress and has been partially paid. No amortization has been provided because it is still work in progress.

Notes to the Financial Statements (Continued)

h) Research and development costs

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

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

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

Estimates and assumptions

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

Notes to the Financial Statements (Continued)

Useful lives and residual values

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

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

Provisions

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

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

No provision has been made in these financial stat

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

Notes to the Financial Statements (Continued)

1	2021-2022
In-Kind Contributions from The County Government	KShs
Medical Drugs & medicine(KEMSA)	250,000
Total	<u>250,000</u>

2	2021-2022
Rendering of Services	KShs
FIF COLLECTION	
Laboratory	398,200
Pharmacy	285,675
Outpatient	98,800
Health Record	92,590
Inpatient	138,511
Theatre	16,000
Transport	1,000
Physiotherapy	35,300
Occupational therapy	22,800
	<u>1,088,876</u>

3	2021-2022
NHIF Receipt	KShs
Description	KShs
Free Maternity	1,180,000
EDU-AFYA	612,730
Inpatient NHIF	4,219,400
National Scheme	721,760
Total	<u>6,733,890</u>
Total Revenue	<u>8,072,766</u>

3a	Amount as per Statement of Financial Performance	6,733,890
	Less: Inkind Contribution	
	Less Accrued receivables	
	Amount as Statement of Cashflow	<u>6,733,890</u>

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4	Medical/Clinical Costs	2021-2022
	Sanitary& Cleaning Materials	198,240
	Medical Records	330,450
	Laboratory chemicals & reagents	417,081
	Food and Ration	436,374
	Health information Stationary(Health Records)	716,014
	Non-pharmaceuticals	290,164.00
	Inkind from county Government	250,000
	Pharmaceutical supplies(Drugs)	416,279.00
	Accrued Expenses	2,582,364.00
		<u>5,636,966</u>

4a.	Amount as per the Statement of Financial Performance	5,636,966
	less:-Inkind Contributions	250,000
	Less:-Accrued Expenses	2,582,364
		<u>2,804,602</u>

5	Employee Costs	2021-2022
	Salaries & wages	358,000
	Contributions to NHIF	
	Salaries & wages arrears	223,500
		<u>581,500</u>

5a	Salaries	581,500
	Less Accrued	223,500
		<u>358,000</u>

6	Repairs & Maintenance	2021-2022
	Medical Equipment	12,000
	Maintenance of Building	275,000
	Motor Vehicle repairs	160,000
	Accrued Expense	796,030
		<u>1,243,030</u>
6a	Amount as per the Statement of Financial Performance	1,243,030
	Less Accrued Expenses	796,030
		<u>447,000</u>

Mbita Sub County Hospital (Homa Bay County Government)
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7 General Expenditure		2021-2022
		KShs
	Electricity	820,000
	Domestic Travel Allowance	25,000
	Telephone	215,000
	Other fuel	79,200
	Boards, committees' allowances & seminars	61,000
	General Office Supplies	272,400
	Refined fuel & lubricants-for transport & Other Fuel	520,560
	Contracted Security	616,000
	Purchase of Computer & Other IT equipment	180,000
	Water	115,000
	Accrued Expence	2,638,052
		<u>5,542,212</u>

7a	Amount as per Statement of Financial Performance	5,542,212
	Less Accrued	2,610,863
	Amount as Statement of Cashflow	<u>2,931,349</u>

8 Depreciation and Amortization		2021-2022
		KShs
	Property, plant and equipment	807,759
	Intangible assets	15,000
		<u>822,759</u>

9 Cash and cash equivalents		2021-2022
Description		KShs
	Current Account	1,984,780
	Cash in Hand	
	Total cash and cash equivalents	<u>1,984,780</u>

10 Inventories		2021-2022
	Pharmaceutical supplies	127,255
	Food supplies	60,500
	Lab Reagents	40,365
	Non-pharmaceuticals	80,200
	Maintenance Supplies	60,100
		<u>368,420</u>

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11	Receivables from Exchange Transactions	2021-2022
	Current Receivables	Kshs
	NHIF Insurance	1,267,250
	Total Current Receivables	<u>1,267,250</u>

Notes to the Financial Statements (Continued)

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12. Property, Plant and Equipment

Description	Land	Buildings and Civil Work	Motor Vehicles	ICT Equipment	Plant & Medical Equipment	Furniture & Fittings Office Equipment	Total
	Kshs	Kshs		Kshs	Kshs	Kshs	Kshs
Cost			0.25020%		12.50%	12.50%	
At 30th June 2021	5,000,000	3,500,000	1,687,500.00	152,978.00	1,992,304.69	850,000.00	13,182,782.69
At 1st July 2021	5,000,000	3,500,000	1,687,500.00	152,978.00	1,992,304.69	850,000.00	13,182,782.69
Additions							
Disposal							
Transfers/adjustments							
At 30 th June 2022	5,000,000	3,500,000	1,687,500	152,978	1,992,305	850,000	13,182,783
Depreciation and impairment			421,875.00	30,596.00	249038	106250	807,759.00
Net book Value							
At 30th June 2022	<u>5,000,000</u>	<u>3,500,000</u>	<u>1,265,625</u>	<u>122,382</u>	<u>1,743,267</u>	<u>42,241</u>	<u>12,375,024</u>

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Notes to the Financial Statements (Continued)

13. Intangible Assets-Software

Description	2021-2022
	KShs
Cost	0.30
	35,000.00
At end of the year	35,000.00
Amortization and impairment	
At beginning of the year	-
Amortization for the period	15,000.00
At end of the year	15,000.00
NBV	20,000.00

14. Trade And Other Payables

Description	2021/22
	KShs
Trade payables-medical cost	2,582,364
Trade payables- general expense	2,638,052
Trade payables-repairs and maintenance	796,030
Employee dues	223,500
Food and Ration	796,632
Total trade and other payables	7,036,578

Notes to the Financial Statements (Continued)

40. Financial Risk Management

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

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

(i) Credit risk

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

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Notes to the Financial Statements (Continued)

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2021				
Receivables from exchange transactions	1,838,450	1,838,450	0	0
Bank balances	1,838,450	1,838,450	0	0
Total Received AT 30TH June 2022	1,838,450	1,838,450	0	0
Total				

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

The board of management sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the hospital's board of management who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

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	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2022				
Trade payables	0	2,887,226	4,149,352	7,036,578
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Deferred income	0	0	0	0
Employee benefit obligation	0	0	0	0
Total	0	2,887,226	4,149,352	7,036,578

(iii) Market risk

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

Notes to the Financial Statements (Continued)

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

a) Foreign currency risk

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

Interest rate risk

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

41. Related Party Balances

Nature of related party relationships

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

County Government of Homabay

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

42. Events After The Reporting Period

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

43. Ultimate And Holding Entity

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

44. Currency

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