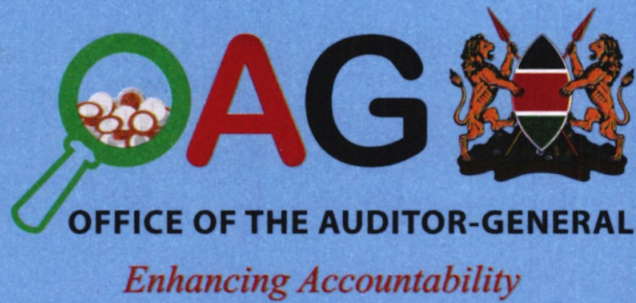


REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

KABAZI SUB-COUNTY LEVEL 4 HOSPITAL

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

COUNTY GOVERNMENT OF NAKURU

PARLIAMENT
OF KENYA
LIBRARY

| | |
|-------------|----------------|
| DATE | 19/09/2024 |
| TABLED BY | ML |
| COMMITTEE | - |
| APPROVED BY | Carolyne Chemw |

Kabazi Sub County Hospital (Nakuru County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022



KABAZI SUB COUNTY HOSPITAL
(NAKURU 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)**

Kabazi Sub County Hospital (Nakuru County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

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I. Key Entity Information and Management

(a) Background information

Kabazi Sub County Hospital is a level 4 hospital established under gazette notice number 157 dated 30/07/2021 and is domiciled in Nakuru County under the Health Department. The hospital is governed by a Board of Management.

(b) Principal Activities

The principal activity/mission/ mandate of the hospital is to offer holistic medical care to patients including preventive, rehabilitative and curative service.

Our mission is **to be the most reliable health care provider in our region and beyond.**

Our main objective is to be honest, transparent, and confidential to the patients and offer quality service that is affordable.

(c) Key Management

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

- County department of health
- Board of Management
- Accounting Officer/ Medical Superintendent
- Head of departments
- Board sub committees.

Key Entity Information and Management (continued)

(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. | Facility In Charge | Sophy Osita- |
| 2. | Head of finance | Samuel Kariuki- |
| 3. | Head of supply chain | Tabitha Kangogo- |
| 4. | Head of Nursing | Mary Karanja- |
| 5. | Head of Pharmacy | Joyce Njenga |

(e) Fiduciary Oversight Arrangements

The hospital is a low volume level 4 hospital and does not have a fiduciary arrangement. Funds collected are used to run the facility after getting AIE from the Chief Officer medical services who is the accounting officer of the department. The accountant advises the facility in charge on issues to do with accounting.

(f) Entity Headquarters

Nakuru County Government
Rift Valley Regional Building
Box 2060
Nakuru- Kenya

Key Entity Information and Management (continued)

(g) Entity Contacts

Telephone: (+254)759435711

E-mail: kabazisubdistrict@gmail.com

(h) Entity Bankers

Kabazi Health Centre A/C

Kcb Kenyatta Avenue Branch

A/C No1156856272

(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



Kabazi Sub County Hospital (Nakuru County Government)
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Key Entity Information and Management (continued)

- (k) County Attorney**
P.O. Box. 2870
Nakuru , Kenya



Kabazi Sub County Hospital (Nakuru County Government)
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II. The Board of Management

| Ref | Directors | Details |
|-----|--|---|
| 1. | <p>Director 1</p>  <p>HMC Chairman Fr. Francis Ndegwa</p> | <p>-Degree in theology</p> <p>-Degree in philosophy</p> <p>-Diploma in counselling</p> <p>-68 years old practicing catholic priest.</p> |
| 2. | <p>Director 2</p>  <p>Finance committee chair Rev Benson Ngaruiya</p> | <p>-Professional mediator</p> <p>-Diploma in paralegal office</p> <p>-Certificate in theology</p> <p>-59 year old cleric</p> |
| 3. | Director 3 | |
| 4. | Director 4/Alternate | |
| 5. | FACILITY IN CHARGE SOPHIE OSITA | DIPLOMA IN CLINICAL MEDICINE AND SURGERY |
| 6. | Entity Secretary | N/A |

Kabazi Sub County Hospital (Nakuru County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

III. Management Team

| Ref | Management | Details |
|-----|---|----------------------|
| 1. | Manager 1 Sophie Osita | Facility in charge |
| 2. | Manager 2  Samuel Kariuki | Finance department |
| 3. | Manager 3  Mary Karanja | Head of nursing |
| 4. | Manager 4 Beth Wacuka | Laboratory in charge |
| 5. | Joyce Njenga | pharmacy |

IV. Chairman's Statement year 2021/2022

Kabazi level 4 hospital is a government institution situated in kabazi ward, Kabazi constituency in Nakuru county. The board has the following members,

1. Fr Francis Ndegwa - Chairman
2. Rhodah Chepchirchir - V/Chair
3. Johnson Ngaruiya - Member
4. Benson Maina - Member
5. Isaiah Kamau - Member
6. Florence Nderitu - Member
7. Simon Kariuki - Member
8. Ibrahim Mugo - Member.
9. Sophie Osita - Secretary

SUCCESS.

- Harmonious relationship with hospital staff
- Good relationship between the hospital and the public/ community
- Minimal political interference.
- Lobbying for facility facelift

CHALLENGES.

- Lack of enough funds to run the facility
- Limited scope of services offered
- Staff shortage
- Lack of infrastructure for our level 4 status
- Delayed remittance by NHIF

WAY FORWARD

- ✓ Continue to lobby for support by partners
- ✓ Support through educating community to utilise the facility.

V. Report of The Chief Executive Officer

Kabazi Sub County hospital is a level four hospital having being gazetted from a Health centre in the year 2021.

The facility has thirteen departments including clinical and non-clinical. The hospital is headed by the Facility In-charge who oversees daily running of the institution. During the year under review, the hospital had a catchment population 14,181. The hospital offers its services throughout the week. Hours of operation is usually 8am to 5pm for administration wing, with other departments working during the day and at night. The hospital has 24 bed capacity maternity wing which is the only inpatient unit.

The hospital had five strategic pillars and objectives within the current Strategic Plan for the FY 2021- FY 22. These strategic pillars are as follows; elimination of communicable conditions, halt and reverse non- communicable condition, reduce the burden of violence and injuries, minimize exposure to health risk factors and strengthen collaboration with health-related sectors.

The overall patient attendance during the year for both inpatient and outpatient were totalling to 11,221.

In terms of gender, for the patients aged over five years, 4,040 were male whereas 7,181 were female accounting to 36% and 64% respectively. Generally, more female visited the facility than men.

For the year that has ended, the facility held twelve head of departments meetings that normally form basis for the board meetings. Also, we held four quarterly HMC meetings with an overall attendance of 95%. The current office bearers are nine (9) having being appointed on 7th Jan, 2022 to hold office for three consecutive years.

The board is usually appointed by the County Executive Committee Member in charge of Health Services. The Medical Superintendent can include some of the head of departments when deliberating on certain issues that may require expert opinion. The staffs who are normally co-opted during the discussions include the finance and the hospital administrator. Area Member of County Assembly, Ward Administrator are the ex-officials.

Report of The Chief Executive Officer (continued).

The board chairman participated in ward projects public participation and a power generator and a dental chair were factored during the meeting. The HMC is active since it has visited different partners and well-wishers to lobby for resources for the development of the hospital eg acquiring a reliable power backup, a reliable water supply and construction of a perimeter wall.

The partners visited were the Area Member of Parliament, and prominent business entrepreneurs.

The hospital entirely gets its revenue through cost sharing with the patients, county allocation, partners support. The facility is registered for NHIF services including Linda Mama, capitation, Comprehensive cover and Edu Afya. In the year under review, the facility collected a total of Ksh 8,505,848.

Different categories of staffs exist in the facility such as permanent and pensionable, county contracted, UHC contracted, partner contracted (UTJ) and hospital contracted. The contract usually runs for a period of three renewable months for hospital contracts while for county contracted runs for a maximum of three years.

The Staff are largely classified as Technical, and non-Technical working in different departments. For the year ended, the hospital had a total of 29 staffs.

The recruitment process for the hospital contracted staff is guided by both the HMC and the Nakuru County Public Service board. The process starts once a vacancy arises or when need arises for additional staffs.

The hospital also intends to introduce new departments that are physiotherapy, orthopaedic, dental services, imaging services, theatre services and ophthalmic services.

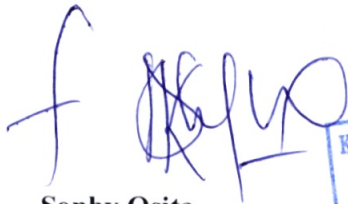
As we end the year I wish to thank the entire Health Management Committee for according the hospital unwavering support.

To my colleagues your commitment to work is exceptional and has made the hospital to be among the best in the county.

Report of The Chief Executive Officer (continued).

Finally, as the medical superintendent I commit to ensure that the hospital runs smoothly and hope that we shall attain our targets as envisioned.

God bless you all.



Sophy Osita

Facility Incharge



VI. 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.

Kabazi sub county hospital has 6 strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2021- 2022FY 2022-2023. These strategic pillars/ themes/ issues are as listed below

Kabazi sub county hospital develops its annual work plans based on the above 6 pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Hospital achieved its performance targets set for the FY 2021/2022 period for its 6 strategic pillars, as indicated in the diagram below:

| Strategic Pillar/Theme/Issues | Objective | Key Performance Indicators | Activities | Achievements |
|--------------------------------------|---|--|--|--------------------------|
| Pillar/ theme/ issue 1: | To eliminate communicable conditions | 1.Reduce new HIV cases through PMTCT to 670 pregnant women, | Intensify health promotions messages, recruitment of required personnel, trains CHvs and conduct outreaches | 726 PMTCT Reached |

Kabazi Sub County Hospital (Nakuru County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

| | | | | |
|----------------------------|---|---|---|--|
| | | 2. Tuberculosis - intensify case finding | Conduct outreaches Developing SOPs Intensify health talks in the facility | |
| Pillar/ theme/ issue 2: | To halt and reverse non-communicable conditions | 1. poor breast feeding practices -encourage exclusive breast feeding for 6 months 2. underweight - nutrition supplementation | Conduct Health education to 3099 to women giving births, Supplement 840 Conduct Nutrition assessment | 3099 reached Supplemented 0 |
| Pillar/ theme/ issue 3: | To reduce the burden of violence and injuries | 1.Road traffic accidents RTAs -Lobby for 1 ambulance | Form emergency preparedness committee Offer referral | -committee formed and operationalized - ambulance available |

Kabazi Sub County Hospital (Nakuru County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

| | | | | |
|-------------------------|---|---|---|--|
| | | | services for specialized care Offer rehabilitative follow up | |
| Pillar/ theme/ issue 4: | To minimize exposure to health risk factors | <ol style="list-style-type: none"> 1. New born events -reduce new born events/complications 2. Adolescents health problems -empower youth friendly centre services -attend to 18000 adolescents through school visits | Train 2 staffs on EMONC and BeMONC. -Conduct 36 school health programs -sensitize staff on the existence of youth friendly for referral through 1 CME | 2 staffs trained 0 schools visited- 0 reached 1 cme done |
| Pillar/ theme/ issue 5: | Provide essential medical | Mitigate against new born birth complications | Purchase 2 resuscitair e | 1 bought |

Kabazi Sub County Hospital (Nakuru County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

| | | | | |
|----------------------------|---|---|---|---------------|
| | services | | | |
| Pillar/ theme/ issue 6: | To strengthen collaboration with health-related sectors | 1. Unemployment -due to Drug addiction | Sensitize the community through 4 outreaches on the effects of drugs | 2 done |

VII. Corporate Governance Statement

The hospital is headed by a facility in charge who is the accounting officer at this level.

The in charge is also the secretary to the HMC. He sets the facility work plan in collaboration with other hospital heads of department which is then cascaded to the other departments to develop their own work plans.

For the year ended, the facility held six departmental meetings which form the basis of board meetings.

We also held four quarterly HMC meetings attended by all members apart from the last (4th) quarter when the chair was on leave.

The facility management team meets and draw the budget for the facility.

Then the EEC meets to rationalise the budget according to the funds available and priority needs for the facility.

The HMC finance committee then meets and goes through the budget before it is tabled at the main boards meeting.

When the board approves, we then forward to the chief officer medical services for approval and issuance of AIE.

The HMC plays a significant role in oversight to the day to day running of the institution. They also act as link between the facility and the public.

They also mobilise resources through visiting well-wishers and partners within the community.

The HMC is also involved in hiring of casual labourers from the community and is involved in payment of wages as per the labour law practices.

VIII. Management Discussion and Analysis

The facility offers services throughout the week.

We have a bed capacity of 24 in the maternity.

Currently the borehole is broken down and we are unable to use the maternity fully.

The administration wing comprises of;

1. Facility in charge
2. Finance
3. Procurement
4. Nursing officer

We have 12 departments

1. Outpatient
2. Maternity
3. Pharmacy
4. Laboratory
5. Health records and information
6. CCC/TB clinic
7. Revenue
8. MCH
9. PMTCT
10. Public health
11. Nutrition
12. Youth friendly- not operational currently

Clinical/operational performance

The facility has a bed capacity of 24 beds which is for maternity cases.

The number of new patients for the year was 14,700.

Management Discussion and Analysis (continued)

For cases of emergencies, we are able to link with the ambulance at Kabazi for purposes of referral.

We don't have a specific specialised clinic but we integrate MOPC with the general outpatient clinic to offer the service.

For our inpatient, we only offer maternity service and length of stay is two days. The bed occupancy rate is 40%.

For the year in review, we have not had any case of mortality in the maternity.

We don't have a theatre and we therefore only do minor surgical procedures.

For the hospital operations, we currently don't have a sponsor for the services.

Financial performance that includes

The facility entirely gets its revenue through cost sharing., with support from the county and other partners especially UTJ.

We are registered with NHIF services including capitation. Linda mama and EDU Afya. However, reimbursement of the same takes time and causes delay leading to budget deficits.

The funds collected are used to run the facility in payment of bills, wages and payment to suppliers.

The year 2021/2022 we collected **ksh. 8,505,848** and utilised the whole amount running the services.

.....
Name SOPHY OSITA
Secretary to the Board

IX. Environmental and Sustainability Reporting

Kabazi 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 organization's policies and activities that promote sustainability.

i) Sustainability strategy and profile

In order to ensure the hospital remains relevant and grows, the Facility in charge plays a critical role of providing a framework of team work and multidisciplinary approach. He should ensure the hospital has acceptable culture by incorporating human resource from different culture orientation and with various knowledge and skills.

Time management is of essence and the institution has strived to make it a routine that patients are managed seamlessly across all departments.

Lobbying of specialized skills is paramount in safeguarding that patients do not suffer for far too long in seeking the health care. For the period under review, the facility in charge approached an orthopaedic personnel to be seeing our patients twice a week.

ii) Environmental performance

Hospital, if not well managed can be a health hazard as a result of poor waste management. As a health facility, we have been extremely cautious on the waste disposal. We have an active public health department that plays significant role in controlling this as guided by Public Health Act and the Building Act.

The health facility has a well-established burning chamber that is used to dispose non pollutant general wastes. For hazardous wastes mainly pharmaceuticals that end up expiring or damaged, the facility has quarantined them for some years now awaiting the recommended process to end. The drugs have been captured in the standardized form F058 and filed appropriately. Other specialised waste management mechanisms include placenta pit and septic tanks.

With the aim of conserving the environment and as well as offer services with tranquillity, Kabazi sub county hospital has tree plantation and well maintained lawn.

Environmental and Sustainability Reporting (continued)

In the year ended, the facility had more than 10 grown up trees with few fruit trees. Before a tree is cut down, authority is normally sought from the HMC and forest department.

iii) Employee welfare

Monthly staff return plays a critical role in establishing the distribution of staffs within the hospital. Different categories of staffs exist in the facility such as permanent and pensionable, county contracted, UHC contracted, partner contracted (UTJ) and hospital contracted.

The contract usually runs for a period of three renewable months for hospital contracts while for county contracted runs for a maximum of three years.

The Staff are largely classified as Technical, and non-Technical working in different departments.

The recruitment process for the hospital contracted staff is guided by both the HMC and the Nakuru County Public Service board. The process starts once a vacancy arises or when need arises for additional staffs.

The non- technical staffs mainly report to the office of the hospital in charge who is their immediate supervisor. Their induction, welfare, disciplinary, target process are normally handled by the facility in charge.

All staffs are entitled to days off and leave as stipulated in their respective engagement framework.

iv) Market place practice

a) Responsible competition practice.

We operate in an environment whereby we are guided by the Kenya Constitution 2010 that calls for adhering to integrity as enshrined in Chapter Six. Also, our staffs are affiliated to various professional bodies like Nursing Council, Kenya Medical and Dentist Board, Pharmacy and Poisons Board among others that regulate these professions by ensuring they align to the code conducts and ethics in their duty.

Environmental and Sustainability Reporting (continued)

Moreover, there are other manuals and Acts which are in existence that are all aimed at ensuring that service delivery is fair, transparent and non-discriminatory. They include Human Resource Manual, 2016 and policies, Employment Act, 2007 and Public Finance Management Act, 2012 among others.

The hospital is strategically located within the reach of many. In this regard, clients can access the services easily. Also, the staffs are skilled enough and need to attend continuous medical education (CME) every week within the hospital and the trainings in order to sharpen their skills. With a well-motivated and trained team, the community normally seek their services from the facility. Subsidised commodities and waivers have also played a big role of encouraging patients to seek our services. All under-fives are exempted from paying for the services according to the MOH Policy.

b) Responsible Supply chain and supplier relations

Procurement of goods and services within the hospital is governed by the Public Procurement and Asset Disposal Act, 2015 and the revised edition, 2022. We get our supplies from various sources with the department of health supporting to some extent in the supply of pharmaceuticals, non-pharmaceuticals and laboratory reagents.

KEMSA supplies donor funded program commodities like ARVS, anti TBs, Malaria, Reproductive health and Nutrition supplements.

The hospital also procures from the prequalified suppliers as guided by the procurement department. Before any procurement is commenced, a requisition must first be raised by the user department, it's then sent to the procurement, then to the accounts and finally to facility in charge who can either approve it or reject it giving reasons.

For the goods and services that get paid in instalments, the HMC Finance subcommittee must approve it further from the normal budget. However, the hospital does not encourage any debt to extend to more than six months without being fully settled.

For the year ending, we had contracts with eight suppliers. KEMSA and MEDS were the main suppliers for the Pharmaceuticals and Non Pharmaceuticals.

Environmental and Sustainability Reporting (continued)

The purchases are normally brought to the facility by the suppliers at their own cost and should be inspected by the inspection and acceptance committee before they are paid for.

After all goods and services are delivered, payment is usually done within two weeks.

c) Responsible marketing and advertisement

By nature of the services we offer, marketing and advertisement is prohibited. However, we inform the community about our services through displaying an updated service charter, notice board and through public participation. We also hold community dialogue days to get feedback from the community on the services we offer.

In the event the hospital introduces a new service, we send the notices to various religious organizations, schools and sub county administration for announcement.

d) Product stewardship

The products that are directly consumed by the patients in the course of service delivery are usually safe, quality assured and registered for that particular use. This is verified during procurement process by scrutinizing suppliers to ensure they meet all laid down requirements. Items donated by well-wishers and partners always undergo thorough inspection and are only allowed in if the hospital is in need of them.

Parameters which are checked includes date of manufacture, name of the manufacturer, language on the label/inserts and storage condition. Items that are almost expiring, with foreign instructions and language are usually rejected.

Routine stock taking to ascertain expiry dates among other indicators happens every month whereby stocks that face short expiry or are overstocked get redistributed to other health facilities in exchange with long expiry one.

While conducting various interviews, public participation and when responding to patient complaints, we usually allow them to freely give their suggestions in improving service delivery.

Environmental and Sustainability Reporting (continued)

Patients' rights form the basis of any complaint and the hospital endeavours to ensure that the rights are fully addressed. For the year ended we recorded fifty complaints and were all successfully handled.

v) Corporate Social Responsibility / Community Engagements

Preventive health care being one of the three approaches to the facility health delivery focus, the hospital engages the community through community health volunteers CHVs. During such meetings and engagements, the community is educated in respect to general cleanliness, water, sewerage commonly known as WASH- water and sanitation hygiene.

Our recruitment for hospital contracted staffs mainly prioritizes on the community applicants. This is basically aimed at ensuring that the hospital gives job opportunities to the community.

As mentioned earlier, the hospital has contracted local suppliers for perishable food including meat, milk, vegetables, and bread.

X. 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 Kabazi sub county hospital are to offer holistic medical care to patients including preventive, rehabilitative and curative services.

Results

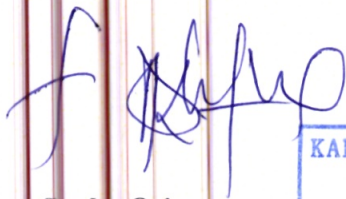
The results of the entity for the year ended June 30 are set out on page 1 to 31

Board of Management

The members of the Board who served during the year are shown on the chairman's report.

Auditors

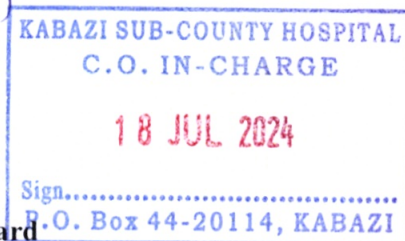
The Auditor General is responsible for the statutory audit of Subukia Sub-County Hospital in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 or by Order of the Board



Sophy Osita

Facility Incharge

Secretary of the Board



XI. Statement of Board of Management's Responsibilities

Section 164 of the Public Finance Management Act, 2012 (entities should quote the applicable legislation under which they are regulated)) requires the Board of Management to prepare financial statements in respect of Kabazi 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/period and the operating results of the entity for that year/period. The Board of Management is also required to ensure that Kabazi sub county hospital keeps proper accounting records which disclose with reasonable accuracy the financial position of the hospital. The council members are also responsible for safeguarding the assets of Kabazi sub county hospital.

The Board of Management is responsible for the preparation and presentation of Kabazi sub county 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 (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 Kabazi sub county 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 Kabazi sub county 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 and (– entities should quote applicable legislation as indicated under). The Board members are of the opinion that Kabazi sub county hospital financial statements give a true and fair view of the state of Kabazi sub county hospital transactions during the financial year ended June 30, 2022, and of the Kabazi sub county hospital financial position as at that date.


Statement of Board of Management's Responsibilities (continued)

The Board members further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

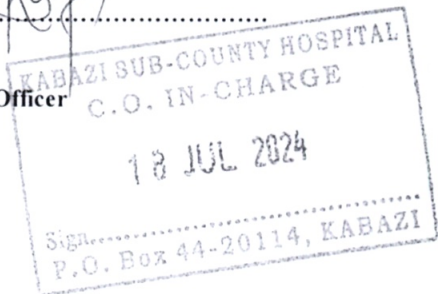
Nothing has come to the attention of the Board of management to indicate that Kabazi sub county hospital will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Hospital's financial statements were approved by the Board on 18/7/24 and signed on its behalf by:


.....
Francis Ndegwa
Chairperson
Board of Management


.....
Sophy Osita
Accounting Officer



REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON KABAZI SUB-COUNTY LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2022 – COUNTY GOVERNMENT OF NAKURU

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kabazi Level 4 Hospital - County Government of Nakuru set out on pages 1 to 31, which comprise of the statement of

Report of the Auditor-General on Kabazi Level 4 Hospital for the year ended 30 June, 2022 – County Government of Nakuru

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

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

Basis for Qualified Opinion

1. Variances Between Financial Statements and Schedules

The financial statements presented for audit had the following variances with the supporting schedules:

| Component | Amount in Financial Statements Kshs. | Amount in Schedule Kshs. | Variance Kshs. |
|--|---|---|---------------------------|
| Transfers from Other Government Entities | 3,098,217 | - | 3,098,217 |
| Rendering of Services | 2,303,985 | 3,255,295 | (951,310) |
| Clinical Costs | 1,816,502 | - | 1,816,502 |
| Employee Costs | 686,310 | 547,250 | (139,060) |
| Board of Management Expenses | 225,000 | 125,000 | 100,000 |
| Repairs and Maintenance | 118,000 | 141,500 | (23,500) |
| General Expenses | 1,073,798 | 745,598 | 328,200 |
| Receivables from Non-Exchange Transactions | 1,483,727 | - | 1,483,727 |
| Inventories | 1,817,164 | - | 1,817,164 |
| Trade and Other Payables | 110,000 | - | 110,000 |

In the circumstances, the accuracy and completeness of the above amounts and balances reflected in the financial statements could not be confirmed.

2. Undisclosed Revenue in Kind

The statement of financial performance reflects revenue from non-exchange transactions amount of Kshs.6,201,863. However, the amount excludes medical commodities of Kshs.583,456 paid by the Nakuru County Government but utilized in the Hospital. Further, the Hospital received donated medical commodities to fight Tuberculosis, HIV and Malaria of Kshs.2,369,787 and additional Kshs.150,403 for implementation of the Universal Health Coverage program which have also not been disclosed in the financial statements.

In the circumstances, the accuracy, completeness and disclosure of total revenue amount of Kshs.6,201,863 could not be confirmed.

3. Unsupported Revenue

The statement of financial performance reflects rendering of services – medical service income amount of Kshs.2,303,985. However, the amount was not supported by revenue billing receipts generated from the system and the approved price list used to charge patients. Further, information on the number of children below five months who were offered free services, details of twelve members in the National Health Scheme (NHS) and members in the Universal Health Coverage scheme indicating their capitated amounts as at 30 June, 2022 was not provided for audit or disclosed in the financial statements. In addition, review of the e-claim system indicated Linda Mama claims amounting to Kshs.604,250 which was omitted in the revenue amount.

In the circumstances, the accuracy and, completeness of rendering of services – medical services income amount of Kshs.2,303,985 could not be confirmed.

4. Unsupported Receivables from Non-Exchange Transactions

The statement of financial position reflects receivables from exchange transactions of Kshs.1,483,727. However, the balance was not supported by schedules indicating details of amounts, names of debtors and ageing analysis.

In the circumstances, the accuracy and completeness of the receivables from exchange transactions balance of Kshs.1,483,727 could not be confirmed.

5. Unconfirmed Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.110,000. However, supporting schedules and outstanding invoices indicating the goods, works or services rendered in respect of this balance were not provided for audit.

In the circumstances, the accuracy and completeness of the payables balance of Kshs.110,000 as at 30 June, 2022 could not be confirmed.

6. Unreconciled Inventories

The statement of financial position reflects inventories balance of Kshs.1,817,164. However, a reconciliation indicating the opening stock, quantities received, issues, damages and expiries to arrive at the closing stock for each of the commodities have not been provided. Further, review of stock cards for ten (10) sampled commodities indicated 95,439 units against a physical count of 89,958 resulting in an unreconciled variance of 5,481 units of undetermined value.

In the circumstances, the accuracy, completeness and disclosure of inventories balance of Kshs.1,817,164 could not be confirmed.

7. Unsupported Property, Plant and Equipment Balance

The statement of financial position reflects property, plant and equipment balance of Kshs.399,850 which was not supported by a movement schedule indicated the various classes of assets. In addition, physical inspection revealed that the hospital has various assets including land, buildings, motor vehicle, computers, furniture and various medical equipment among others. However, an asset register indicating asset name, tag number, specific asset location was not maintained and the hospital land ownership could not be confirmed due to lack of a title deed.

In the circumstances, the accuracy, completeness and disclosure of property, plant and equipment balance of Kshs.399,850 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kabazi Level 4 Hospital Management in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing

Report of the Auditor-General on Kabazi Level 4 Hospital for the year ended 30 June, 2022 – County Government of Nakuru

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. Delays in Processing of National Health Insurance Fund (NHIF) Claims

The statement of financial performance reflects total revenue amount of Kshs.8,505,848. However, review of National Health Insurance Fund (NHIF) records revealed claims amounting to Kshs.112,500 which were received after the due dates, with delays ranging from thirty-five (35) to seven hundred and thirty-six (736) days. This was contrary to Clause 1.3 of the Contract Agreement between the Hospital and NHIF which requires claims be paid within thirty days (30) after submission.

In the circumstances, delays in processing of claims by the National Health Insurance Fund hinders service delivery at the Hospital.

2. Irregular Cash Purchases

The statement of financial performance reflects total expenses amount of Kshs.3,919,610 out of which Kshs.750,365 relates to cash advanced to employees for purchase of various items which did not meet the set criteria on low value procurement. This was contrary to the Second Schedule on threshold matrix under low value procurements of the Public Procurement and Asset Disposal Regulations, 2020 which sets the maximum low value procurement at Kshs.50,000 per item per financial year.

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

3. Irregular Procurement of Goods and Services

The statement of financial performance reflects total expenses of Kshs.3,919,610 out of which Kshs.417,495 relates to payments for various items. However, the payments were not supported by quotations and procurement minutes indicating how the supplier was identified, evaluated and awarded the contracts.

In the circumstances, the competitiveness of the procurement process could not be confirmed and may have been made at inflated prices.

4. Unutilized Infrastructure Facilities

The statement of financial position reflects property, plant and equipment balance of Kshs 399,850. Physical inspection in the Month of April 2024 indicated that the Hospital has a generator which was installed at a cost of Kshs.3,000,000 but has not been put into use six (6) months after installation. In addition, the maternity block which was refurbished

at a cost of Kshs.732,000 and the refurbished X-ray room at undetermined cost have also not been put into use.

In the circumstances, value for money on the expenditure incurred on the generator, maternity block and refurbished X-ray room could not be confirmed.

5. Non-Compliance with Kenya Quality Model for Health Policy Guidelines

Review of Hospital records, interviews with Management and physical inspection 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-three (93) or 92% of the authorized staff requirements as detailed below.

| Staff Requirements | Level 4 Standard | No. in Hospital | Variance | 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 | 8 | 67 | 89 |
| Total | 101 | 8 | 93 | 92 |

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 | 24 | 126 | 84 |
| Resuscitaire (2 in Labor & 1 in Theatre) | 2 | 0 | 2 | 100 |
| New Born Unit Incubators | 5 | 0 | 5 | 100 |
| New Born Unit Cots | 5 | 0 | 5 | 100 |
| Functional ICU Beds | 6 | 0 | 6 | 100 |
| High Dependency Unit (HDU) Beds | 6 | 0 | 6 | 100 |

| Service | Level 4 Hospital Standard | Actuals in the Hospital | Variance | Percentage % |
|---|----------------------------------|--------------------------------|-----------------|---------------------|
| Renal Unit with at least 5 Dialysis Machines | 5 | 0 | 5 | 100 |
| Two Functional Operational Theatres-Maternity & 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 understaffing and inadequate Hospital equipment may negatively have impacted on service delivery to the public.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Unconfirmed Testing of Patients for Tuberculosis

The statement of financial performance reflects medical/clinical costs of Kshs.1,816,502 where 11,760 patients were registered. Paragraph 2.3.2 of the Ministry of Health Integrated Guideline for Tuberculosis, Leprosy and Lung Disease 2021 requires TB screening be administered to all patients presenting to the health facility regardless of having signs or symptoms through screening questions such as cough, hotness of body, drenching night sweats, unintended weight loss and chest pain where the patients are required to undergo further clinical review if the reply is yes to any of the questions.

However, out of the total patients of 11,760 only fifty five (55) patients were tested for tuberculosis. Although Management indicated to have screened all patients using the questionnaire, it was not possible to confirm this assertion since the answers to the questions were not recorded in a patient database.

In the circumstances, the Hospital may not achieve its mandate of offering early diagnosis and treatment services to patients.

2. Unconfirmed Indicators for Reproductive Health

The statement of financial performance reflects medical/clinical costs of Kshs.1,816,502. Review of workload distribution indicated a total of 11,760 registered patients out of whom 243 were maternal women. However, the Hospital Management did not maintain records of the proportion of women of reproductive age (aged 15 - 49 years) who have their need for family planning satisfied with modern methods despite receipt of family planning medical commodities amounting to Kshs.441,827.

In the circumstances, it has not been able to confirm the proportion of women of reproductive age (aged 15 - 49 years) who have their need for family planning satisfied with modern methods as envisaged under the Sustainable Development Goal number 3.7.

3. Non-Compliance with First Expiry First Out

The statement of financial position reflects inventory balance of Kshs.1,817,164. Review of management of pharmaceuticals and non-pharmaceuticals revealed that the Hospital received medical commodities of Kshs.3,103,646. However, the stock cards used to receive and issue drugs to various departments in the Hospital did not indicate the batch number and the expiry dates of the drugs. It was therefore not possible to establish whether the issuance of drugs followed the principal of First Expiry First Out (FEFO).

In the circumstances, the noncompliance to the principle of First Expiry First Out (FEFO) may contribute to high rates of expiries of pharmaceutical and non-pharmaceutical products.

4. Stock-Outs of Essential Medical Commodities

The statement of financial position reflects inventory balance of Kshs.1,817,164. Review of the inventory records revealed stock-outs of ten (10) items for a period of between six (6) days and three hundred and eighty nine (389) days. In addition, there were no policy guidelines on the required reorder levels.

In the circumstances, stock out of essential commodities may result to delayed delivery of essential services to patients and possible loss of revenue.

5. Unconfirmed Dispensing of Drugs to Patients

The statement of financial position reflects inventory balance of Kshs.1,817,164. Review of delivery notes indicated receipt of medical commodities of Kshs.3,103,646. A

walkthrough of the hospital system indicates a patient first registers at a registration counter after which examination and diagnostic tests are done and drugs are prescribed to be dispensed at the outpatient pharmacy at a fee. However, there was no evidence to show drugs issued from the store were dispensed to specific patients based on doctor's prescription. Further, medical commodities were issued from the store to the laboratory, maternity ward and comprehensive care clinic but were not supported by utilization reports.

In the circumstances, it was not possible to confirm whether drugs were dispensed to patients and lack of patient treatment history may also prevent provision of proper medical care by the doctors during subsequent visits.

6. Expired Medical Commodities

The statement of financial position reflects inventories balance of Kshs.1,817,164 out of which Kshs.140,923 relates to medical commodities. Review of stock control cards indicated 682 quantities of various medical commodities of undetermined values had expired as at 30 June, 2022. In addition, expiries include 464 units which expired between May 2015 and November 2020 but were still held on the store undisposed posing a risk of unintentional usage. Further the Hospital continues to receive Covid-19 vaccines but there was no evidence that the vaccines were ordered based the demand due to the reduced uptake resulting to one hundred and fifty doses of AstraZeneca vaccines expiring.

In the circumstances, the effectiveness of internal controls on management of stocks could not be confirmed.

7. Unfulfilled Orders

The statement of financial position reflects inventory balance of Kshs.1,817,164. Review of ordering records indicated the Hospital made quantity orders of 7,657 units of various medical commodities from Kenya Medical Supplies Authority out of which only 3,774 or 49% of the orders were received resulting to unfulfilled orders of 3,883 or 51%. Further, there was no evidence to show that the unfulfilled orders were procured from other sources to provide all time availability of medical commodities.

In the circumstances, the unfulfilled orders may result in frequent stock outs at the Hospital which presents a risk to patients' health due to inability of the Hospital to offer prompt medical services.

8. Unsustainable Universal Health Coverage Programme

The statement of financial position reflects inventory balance of Kshs.1,817,164. The national government rolled out a Universal Health Coverage program in all counties for provision of quality and affordable healthcare to all citizens at no cost. However, during the year under audit only one product cotrimoxazole tablet 960mg valued at Kshs.150,403 was received under the UHC which was insufficient to sustain the programme. In addition,

Report of the Auditor-General on Kabazi Level 4 Hospital for the year ended 30 June, 2022 – County Government of Nakuru

as at the time of audit in the month of April 2024 the Hospital had five healthcare workers under the UHC program whose contracts were set to expire between May and September 2024 without any correspondence on their renewal.

In the circumstances, the citizens may not be getting the quality healthcare services due to the non-availability of drugs under the UHC program.

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

Responsibilities of Management and 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 control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

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

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

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

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 non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Hospital 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 as a going concern or 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, CBS
AUDITOR-GENERAL

Nairobi

05 July, 2024

Kabazi Sub County Hospital (Nakuru County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

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

| Description | Notes | 2021/22 |
|--|-------|------------------|
| | | Kshs |
| Revenue from non-exchange transactions | | |
| Transfers from other Government entities | 6 | 3,098,217 |
| In-kind contributions from the County Government | 7 | 3,103,646 |
| Revenue from non-exchange transactions | | 6,201,863 |
| Revenue from exchange transactions | | |
| Rendering of services- Medical Service Income | 8 | 2,303,985 |
| Revenue from exchange transactions | | 2,303,985 |
| Total revenue | | 8,505,848 |
| Expenses | | |
| Medical/Clinical costs | 9 | 1,816,502 |
| Employee costs | 10 | 686,310. |
| Board of Management Expenses | 11 | 225,000 |
| Repairs and maintenance | 12 | 118,000 |
| General expenses | 13 | 1,073,798 |
| Total expenses | | 3,919,610 |
| Net Surplus for the year | | 4,586,238 |

The Hospital's financial statements were approved by the Board on _____ and signed on its

behalf by:



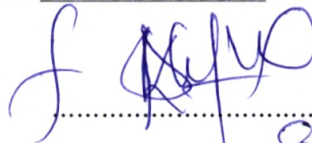
(name)

Chairman
Board of Management



(name)

Head of Finance
ICPAK No: 7241



(name)

Facility In charge



Kabazi Sub County Hospital (Nakuru County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022


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

| Description | Notes | 2021/22 |
|--|-------|------------------|
| | | Kshs |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 14 | 842,997 |
| Receivables from non-exchange transactions | 15 | 1,483,727 |
| Inventories | 16 | 1,817,164 |
| Total Current Assets | | 4,143,888 |
| Non-current assets | | |
| Property, plant, and equipment | 17 | 399,850 |
| Intangible assets | 18 | 152,500 |
| Total Non-current Assets | | 552,350 |
| Total assets | | 4,696,238 |
| Liabilities | | |
| Current liabilities | | |
| Trade and other payables | 19 | 110,000 |
| Total Current Liabilities | | 110,000 |
| Total Liabilities | | 110,000 |
| Net assets | | |
| Accumulated surplus/Deficit | | 4,586,238 |
| Total Net Assets and Liabilities | | 4,696,238 |

Kabazi Sub County Hospital (Nakuru County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

Statement of Financial Position as of 30th June 2022 (continued)

The Hospital's financial statements were approved by the Board on 18/7/24 and signed on its behalf by:


.....

(name)

Chairman

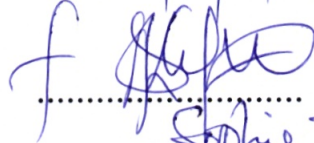
Board of Management


.....

(name)

Head of Finance

ICPAK No: 7241


.....
Sophie Ochieng

(name)

Facility Incharge

KABAZI SUB-COUNTY HOSPITAL
C.O. IN-CHARGE

18 JUL 2024

Sign.....
P.O. Box 44-20114, KABAZI

Kabazi Sub County Hospital (Nakuru County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

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

| | Revaluation reserve | Accumulated surplus/Deficit | Capital Fund | Total |
|--------------------------------|---------------------|-----------------------------|--------------|-----------|
| As at July 1, 2020 | - | - | - | - |
| Revaluation gain | - | - | - | - |
| Surplus/(deficit) for the year | - | - | - | - |
| Capital/Development grants | - | - | - | - |
| As at June 30, 2021 | - | - | - | - |
| | | | | |
| At July 1, 2021 | - | - | - | - |
| Surplus/(deficit) for the year | - | 4,586,238 | - | 4,586,238 |
| At June 30, 2022 | - | 4,586,238 | - | 4,586,238 |

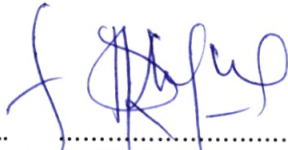
The Hospital's financial statements were approved by the Board on 18/7/24 and signed on its behalf by:



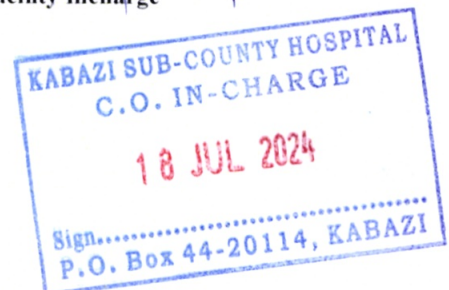
 Chairman
 Board of Management



 Head of Finance
 ICPAK No: 7241



 Facility Incharge



Kabazi Sub County Hospital (Nakuru County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022


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

| Description | Note | 2021/22 Kshs |
|---|------|------------------|
| Cash flows from operating activities | | |
| Receipts | | |
| Transfers from other Government entities | | 1,614,490 |
| Rendering of services- Medical Service Income | | 2,303,985 |
| Total Receipts | | 3,918,475 |
| Payments | | |
| Medical/Clinical costs | | 1,816,502 |
| Employee costs | | 686,310. |
| Board of Management Expenses | | 225,000 |
| Repairs and maintenance | | 118,000 |
| General expenses | | 1,073,798 |
| Total Payments | | 3,919,610 |
| Net cash flows from operating activities | | (1,135) |
| Cash flows from investing activities | | |
| Purchase of property, plant, equipment, & intangible assets | | (552,350) |
| Net cash flows used in investing activities | | - |
| Cash flows from financing activities | | |
| Net cash flows used in financing activities | | - |
| Net increase/(decrease) in cash and cash equivalents | | (553,485) |
| Cash and cash equivalents at 1 July 2021 | 14 | 1,396,482 |
| Cash and cash equivalents at 30 June 2022 | 14 | 842,997 |


Kabazi Sub County Hospital (Nakuru County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

Statement of Cash Flows for The Year Ended 30 June 2022 (continued)

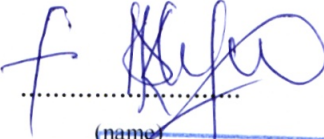
The Hospital's financial statements were approved by the Board on 18/7/24 and signed on its behalf by:


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(name)

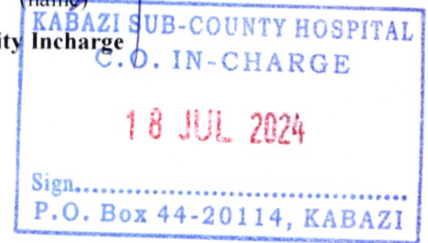
Chairman
Board of Management


.....
(name)

Head of Finance
ICPAK No: 7241


.....
(name)

Facility Incharge



Kabazi Sub County Hospital (Nakuru County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

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

| Description | Original budget | Adjustments | Final budget | Actual on comparable basis | Performance difference | % of utilisation |
|---|------------------|-------------|------------------|----------------------------|------------------------|------------------|
| | a | B | c=(a+b) | d | e=(c-d) | f=d/c% |
| | Kshs | Ksh | Kshs | Kshs | Kshs | |
| Revenue | | | | | | |
| Transfers from other Government entities | 1,614,490 | - | 1,614,490 | - | - | 100% |
| Rendering of services- Medical Service Income | 2,303,985 | - | 2,303,985 | - | - | 100% |
| Total income | 3,918,475 | - | 3,918,475 | 3,918,475 | - | 100% |
| Expenses | | | | | | |
| Medical/Clinical costs | 1,815,367 | - | 1,815,367 | 1,816,502 | (1,135) | 100% |
| Employee costs | 686,310 | - | 686,310 | 686,310 | - | 100% |
| Remuneration of directors | 225,000 | - | 225,000 | 225,000 | - | 100% |
| Repairs and maintenance | 118,000 | - | 118,000 | 118,000 | - | 92% |
| General expenses | 1,073,798 | - | 1,073,798 | 1,073,798 | - | 96% |
| Total expenses | 3,918,475 | | 3,918,475 | 3,919,610 | | |
| Surplus/deficit for the period | - | - | - | (1,135) | | - |

.....
 (name)

Chairman
Board of Management

.....
 (name)

Head of Finance
 ICPAK No: 7241

.....
 (name) Sophie Osike

Facility Incharge

KABAZI SUB-COUNTY HOSPITAL
C.O. IN-CHARGE
18 JUL 2024
 Sign.....
 P.O. Box 44-20114, KABAZI

XVIII. Notes to the Financial Statements

1. General Information

Kabazi sub county hospital is established by and derives its authority and accountability from county government Ac 2012t. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to offer holistic medical care to patients.

2. Statement of Compliance and Basis of Preparation

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

The financial statements have been prepared in accordance with the PFM Act, and (include any other applicable legislation), 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 Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

Kabazi Sub County Hospital (Nakuru County Government)
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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: |
|--|--|
| IPSAS 41: Financial Instruments | <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. |
| IPSAS 42: Social Benefits | <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> <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 | <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> |

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| | |
|---|---|
| IPSAS 41, Financial Instruments | <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"> • IPSAS 22 Disclosure of Financial Information about the General Government Sector. Amendments to refer to the latest System of National Accounts (SNA 2008). • IPSAS 39: Employee Benefits Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023. |
| 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 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> |
| IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations | <p>Applicable 1st January 2025</p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> |

ii. Early adoption of standards

The entity did not early – adopt any new or amended standards in the year 2021/2022

Notes to the Financial Statements (Continued)

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

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

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.

Notes to the Financial Statements (Continued)

Dividends

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

Rental income

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

b) Budget information

The original budget for FY 2021/2022 was approved by Board 25 September 2023. 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, Subukia Sub-County Hospital did not record additional appropriations during the FY2021/2022.

Subukia sub county hospital 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 **XVI** of these financial statements.

Notes to the Financial Statements (Continued)

c) Taxes

Sales tax/ Value Added Tax

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

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

d) Investment property

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

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a period of **3** 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.

Notes to the Financial Statements (Continued)

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.

f) Leases

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

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

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

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

g) Intangible assets

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

Notes to the Financial Statements (Continued)

h) Research and development costs

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

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

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

i) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Notes to the Financial Statements (Continued)

Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

Notes to the Financial Statements (Continued)

Loans and borrowing

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

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

i) Inventories

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

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

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

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

j) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits

Notes to the Financial Statements (Continued)

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.

Contingent liabilities

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

Contingent assets

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

k) Nature and purpose of reserves

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

l) Changes in accounting policies and estimates

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

m) Employee benefits

Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a

Notes to the Financial Statements (Continued)

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.

n) Foreign currency transactions

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

o) Borrowing costs

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

p) Related parties

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

Notes to the Financial Statements (Continued)

q) Service concession arrangements

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

r) Cash and cash equivalents

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

s) Comparative figures

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

t) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period.

Notes to the Financial Statements (Continued)

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.

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.

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Notes to the Financial Statements (Continued)

6. Transfers From Other Government Entities

| Description | 2021/22 |
|--|------------------|
| | KShs |
| Transfer from National Hospital Insurance Fund | 3,098,217 |
| Total Transfers | 3,098,217 |

Notes to the Financial Statements (Continued)

7. In Kind Contributions from KEMSA

| Description | 2021/22 |
|--|------------------|
| | KShs |
| Pharmaceutical and Non-Pharmaceutical Supplies | 3,103,646 |
| Total grants in kind | 3,103,646 |

8. Rendering of Services-Medical Service Income

| Description | 2021/22 |
|---|------------------|
| | KShs |
| Pharmaceuticals | 1,027,325 |
| Non-Pharmaceuticals | 811,460 |
| Laboratory | 465,200 |
| Total revenue from the rendering of services | 2,303,985 |

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Notes to the Financial Statements (Continued)

9. Medical/ Clinical Costs

| Description | 2021/22 |
|--------------------------------------|------------------|
| | KShs |
| Laboratory chemicals and reagents | 484,195 |
| Food and Ration | 220,315 |
| Dressing and Non-Pharmaceuticals | 394,370 |
| Pharmaceutical supplies | 545,482 |
| Health information stationery | 107,140 |
| Sanitary and cleansing Materials | 65,000 |
| Total medical/ clinical costs | 1,816,502 |

10. Employee Costs

| Description | 2021/22 |
|----------------------------------|----------------|
| | KShs |
| Salaries, wages, and allowances | 626,310 |
| Contributions to pension schemes | 60,000 |
| Employee costs | 686,310 |

Kabazi Sub County Hospital (Nakuru County Government)
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Notes to the Financial Statements (Continued)

11. Board of Management Expenses

| Description | 2021/22 |
|-------------------|----------------|
| | KShs |
| Sitting allowance | 225,000 |
| Total | 225,000 |

12. Repairs And Maintenance

| Description | 2021/22 |
|--------------------------------------|----------------|
| | KShs |
| Property- Buildings | 40,000 |
| Medical equipment | 43,000 |
| Computers and accessories | 35,000 |
| Total repairs and maintenance | 118,000 |

13. General Expenses

| Description | 2021/22 |
|-------------------------------|---------|
| | KShs |
| Catering expenses | 25,000 |
| Insecticides and rodenticides | 10,000 |
| Bank charges | 47,578 |
| Electricity expenses | 350,000 |
| Transfer of patients | 25,000 |

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| Description | 2021/22 |
|-------------------------------------|------------------|
| | KShs |
| Daily Subsistence allowance | 206,200 |
| Travel and accommodation allowance | 71,000 |
| Fuel | 36,200 |
| Printing and stationery | 207,820 |
| Telephone and mobile phone services | 40,000 |
| Internet expenses | 55,000 |
| Total General Expenses | 1,073,798 |

14. Cash And Cash Equivalents

| Description | 2021/22 |
|--|----------------|
| | KShs |
| Current accounts | 842,997 |
| Total cash and cash equivalents | 842,997 |

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

| Description | | 2021/22 |
|-----------------------|----------------|----------------|
| Financial institution | Account number | KShs |
| a) Current account | | |
| Kenya Commercial bank | 1156856272 | 842,997. |
| Grand total | | 842,997 |

Kabazi Sub County Hospital (Nakuru County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

Notes to the Financial Statements (Continued)

15. Receivables from Non- Exchange Transactions

| Description | 2021/22 |
|------------------------------|------------------|
| | KShs |
| Medical services receivables | 1,483,727 |
| Total receivables | 1,483,727 |

16. Inventories

| Description | 2021/22 |
|-----------------------------|------------------|
| | KShs |
| Pharmaceutical supplies | 1,107,125 |
| Non-Pharm | 646,639 |
| Linen and clothing supplies | 57,000 |
| Cleaning materials supplies | 6,400 |
| Total | 1,817,164 |

17. Plant Property and Equipment

| Description | 2021/22 |
|---------------------------|----------------|
| | KShs |
| Autoclave | 20,000 |
| CCTV | 199,850 |
| Bio scan | 20,000 |
| Computers | 160,000 |
| At end of the year | 399,850 |

Kabazi Sub County Hospital (Nakuru County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

Notes to the Financial Statements (Continued)

18. Intangible Assets-Software

| Description | 2021/22 |
|--------------------------|---------|
| | KShs |
| Cost | |
| At beginning of the year | 152,500 |
| Additions | - |
| At end of the year | 152,500 |

19. Trade and Other Payables

| Description | 2021/22 |
|--------------------------------|---------|
| | KShs |
| Trade payables | 110,000 |
| Total trade and other payables | 110,000 |

Notes to the Financial Statements (Continued)

19. 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:

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

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.

Notes to the Financial Statements (Continued)

(ii) Liquidity risk management

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

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

(iii) Market risk

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

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.

Notes to the Financial Statements (Continued)

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:

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.

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.

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 endeavored to bank with institutions that offer favorable interest rates.

Sensitivity analysis

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

Notes to the Financial Statements (Continued)

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:

20. Related Party Balances

Nature of related party relationships

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

Government of Kenya

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

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

(NB: Capital commitments are commitments to be carried out in the next financial year and are disclosed in accordance with IPSAS 17. Capital commitments may be those that have been authorised by the board but at the end of the year had not been contracted or those already contracted for and ongoing)

21. Events After the Reporting Period

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

22. Ultimate and Holding Entity

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

23. Currency

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