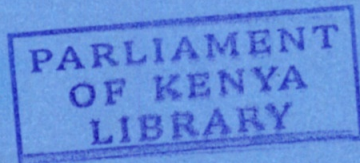


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*



**REPORT**

**OF**

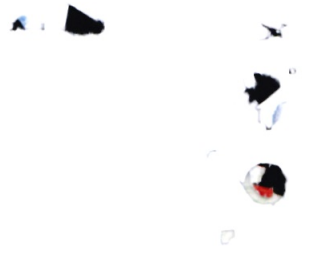
**THE AUDITOR-GENERAL**

**ON**

**NDITHINI LEVEL 4 HOSPITAL**

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

**COUNTY GOVERNMENT OF MACHAKOS**



OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
MACHAKOS HUB.  
7 JUN 2024  
**RECEIVED**



---

**Ndithini Level 4 HOSPITAL  
(Machakos County Government)**

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

---

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

DATE 18/09/24  
APPROVED BY Majority Leader  
—  
Angela

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

---

RECEIVED

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

---

**Table of Contents**

I. Key Entity Information and Management .....	iv
II. The Board of Management.....	vi
III. Management Team.....	vii
IV. Chairman’s Statement.....	viii
V. Report of The Chief Executive Officer.....	ix
VI. Statement Of Performance Against Predetermined Objectives.....	x
VIII. Management Discussion and Analysis .....	xiii
IX. Environmental And Sustainability Reporting.....	xiv
X. Report of The Board of Management .....	xv
XI. Statement of Board of Management’s Responsibilities.....	xvi
XII. Report of the Independent Auditor (for Ndithini level 4 hospital).....	xvii
XIII. Statement of Financial Performance for The Year Ended 30 June 2022.....	1
XV. Statement of Changes in Net Asset for The Year Ended 30 June 2022.....	6
XVI. Statement of Cash Flows for The Year Ended 30 June 2022 .....	7
XVII. Statement Of Comparison of Budget and Actual Amounts For The Year Ended 30 June 2022 .....	9
XVIII. Notes To the Financial Statements.....	11
XIX. Appendices.....	52

**I. Key Entity Information and Management**

**(a) Background information**

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

**(b) Principal Activities**

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

**(c) Key Management**

The hospitals management is under the following key organs:

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

**(d) Fiduciary Management**

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

1.	Medical Superintendent	Brian Kavele
2.	Head of Finance	Lucy Mbuvi
3.	Head of Supply Chain	John Juma
4.	Nursing Service Manager	Alfred Gachanja
5.		

**(e) Fiduciary Oversight Arrangements**

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

- ✚ Clinical Research and Standards Committee.
- ✚ County Treasury
- ✚ County Assembly

**(f) Entity Headquarters**

P.O. Box 43-90105  
Ndithini Market  
Ndithini ,kenya

**(g) Entity Contacts**

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

**(h) Entity Bankers**

Kenya Commercial Bank (KCB)

**(i) Independent Auditors**

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

**(j) Principal Legal Adviser**

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

**(k) County Attorney**

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

**II. The Board of Management**

There was no Board of Directors in Ndithini Level 4 Hospital during Fy 2021-2022



**I. Management Team**

1.	Brian Kavele	Medical superintended/Accounting Officer
2.	Alfred Gachanja	Nursing Services Manager (NSM)
3.		

#### **IV. Chairman's Statement**

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

**V. Report of The Chief Executive Officer**

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

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

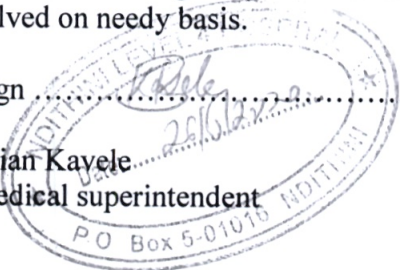
The Financial statements highlights both qualitative and quantitative user information about the performance of the hospital based on the revenue received and collected from the county and NHIF or Facility Improvement Fund versus numerous expenses incurred in line to promotion of quality health care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

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

Sign .....

Date..... 26/07/2022 .....

Brian Kavele  
Medical superintendent



**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.

Ndithini Level 4 Hospital has *three (3)* strategic objectives within the current Strategic Plan for the FY 2021- 22. These objectives have been identified through a participatory process that reviewed the health priorities of the Governor’s Manifesto, the National Government’s “Big Four” and more specifically on Universal Health Care, NIUPLAN, SDGs and the MTP III. The strategic objectives are a synthesised product of the afore-mentioned planning frameworks that amalgamate the thematic focus and health sector aspirations.

The strategic objectives are as follows;

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

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

Strategic Pillar/Theme/Issues

Strategic Pillar/Theme/Issues	Strategic Objective	Key Performance Indicators	Performance	Remarks
Maternal health care services	Provide free maternal health care services	Number of maternal deliveries	-Surgeries, pre-natal and post natal services -Normal deliveries	Managed to achieve 99% free maternal health care services
Affordable and timely health care services	Ensure timely provision of	Number of in-patients and out-	-Treatment of in-patient and out-	Managed to improve timely

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

---

	health care services to all patients	patients served	patient	health care provision from 65% to 75%
Strategic partnership	Conduct sensitization and research in order to attract donors	Number of donors offering financial support	Collaboration with donors	Managed to collaborate with DANIDA and red cross

**VII. Corporate Governance Statement**

No board in place during the financial year 2021-2022

## **VIII. Management Discussion and Analysis**

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

Ndithini Level 4 Hospital is governed by all medical regulatory frameworks, the constitution of Kenya 2010 and other statutory policies put in place either by the national or county government. To that extent, non –major non-compliance that may lead to contingent liabilities has been reported.

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

- a. Construction of male and Female wards
- b. Construction of a Mortuary
- c. Purchase of Incinerator
- d. Construction of modern OPD block

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

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

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

## **IX. Environmental And Sustainability Reporting**

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

### *i) Sustainability strategy and profile*

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

### *ii) Environmental performance*

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

### *iii) Employee welfare*

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

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

Ndithini Level 4 Hospital has conducted numerous CSR activities during the year on free- cancer and tuberculosis screening and treatments.



## **Report of The Board of Management**

No board for the year ended June 30, 2022,

### **Principal activities**

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

### **Results**

The results of the entity for the year ended June 30 are set out on page 1 to 8

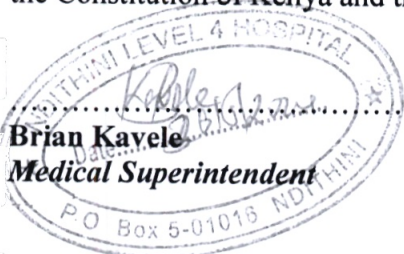
### **Board Of Management**

No board during the financial year 2021-2022

### **Auditors**

The Auditor General is responsible for the statutory audit of the entity in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015

  
Date: 28.12.2022  
**Brian Kayele**  
**Medical Superintendent**



## **XI. Statement of Board of Management’s Responsibilities**

Section 164 of the Public Finance Management Act, 2012 (County Government act no 17 of 2012) requires the Management to prepare financial statements in respect of that *entity*, which give a true and fair view of the state of affairs of the *entity* at the end of the financial year/period and the operating results of the hospital for that year/period. The management is also required to ensure that the facility keeps proper accounting records which disclose with reasonable accuracy the financial position of the *entity*. The management is also responsible for safeguarding the assets of the facility

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

The Management accepts responsibility for the facility’s financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and County Government act no 17 of 2012). The management is of the opinion that the hospital’s financial statements give a true and fair view of the state of facility’s transactions during the financial year ended June 30, 2022, and of the facility’s financial position as at that date. The management further confirm the completeness of the accounting records maintained for the facility’s, which have been relied upon in the preparation of the facility’s financial statements as well as the adequacy of the systems of internal financial control.

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

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

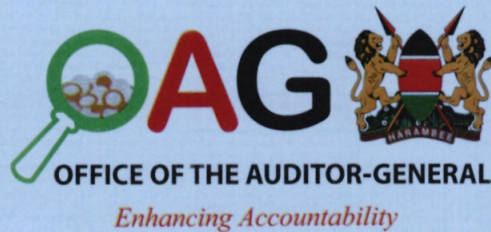
The Hospital’s financial statements were approved by the Board on 26/07/2022 and signed on its behalf by:

.....  
**Name:**  
**Chairperson**  
**Board of Management**

.....  
**Name:**  
**Accounting Officer**

# REPUBLIC OF KENYA

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



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

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

---

### 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 Ndithini Level 4 Hospital - County Government of Machakos set out on pages 1 to 53, which comprise of the statement of financial position as at 30 June, 2022, and the statement of financial

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

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

### **Basis for Qualified Opinion**

#### **1. Inaccuracies in the Statement of Cash Flows**

The statement of cash flows reflects cash and cash equivalents balance of Kshs.2,455. However, the re-casting of balances yielded an amount of Kshs.88,321 resulting in an unexplained variance of Kshs.85,866.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.2,455 could not be confirmed.

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

The statements of financial position for the year under review reflects Nil balance on property plant and equipment as disclosed in Note 31 to the financial statements. However, the Hospital has a number of assets including land, buildings, ambulance, medical equipment furniture and fittings.

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

#### **3. Non-Disclosure of Inventories Balance**

The statement of financial position reflects Nil balance in respect to inventories as disclosed in Note 30 to the financial statements. However, the Management did not undertake end year stock take of inventories to confirm existence and condition.

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

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

The statement of financial performance reflects employee costs of Kshs.175,000 for casuals and contractual staff as disclosed in Note 16 to the financial statements. The

Hospital also received services from medical staff employed and paid by the County. However, the expenditure was not disclosed in the financial statements and the payroll was not provided for audit.

In the circumstances, the accuracy and completeness of employee costs of Kshs.175,000 could not be confirmed.

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

### **Key Audit Matters**

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

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

### **Conclusion**

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

### **Basis for Conclusion**

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

The financial statements for the financial year ended 30 June, 2022 were submitted for audit on 3 May, 2023, seven (7) months after the statutory deadline. This was contrary to Section 68 (2)(k) of the Public Finance Management Act, 2012 which requires an Accounting Officer to prepare annual financial statements for each financial year within three months after the end of the financial year.

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

#### **2. Deficiencies in Implementation of Universal Health Coverage**

Review of Hospital records and interviews on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit in April, 2024 revealed

that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits by ninety seven (97) or 96% of the authorized establishment.

<b>Staff Requirements</b>	<b>Level 4 standard</b>	<b>Number in Hospital</b>	<b>Variance</b>	<b>Percentage %</b>
Medical Officers	16	0	16	100
Anesthesiologists	2	0	2	100
General Surgeons	2	0	2	100
Gynecologists	2	0	2	100
Pediatricians	2	0	2	100
Radiologists	2	0	2	100
Registered Community Health Nurses	75	4	71	95
<b>Total</b>	<b>101</b>	<b>4</b>	<b>97</b>	<b>96</b>

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

<b>Equipment &amp; Machines</b>	<b>Level 4 Hospital Standard</b>	<b>Actuals In the Hospital</b>	<b>Variance</b>	<b>Percentage %</b>
Bed Capacity	150	18	132	88
Incubators (New Born)	5	0	5	100
Cots	5	0	5	100
Resuscitative in Theatre	1	0	1	100
Resuscitative in Labour Ward	2	0	2	100
Functional ICU Beds	6	0	6	100
HDU Beds	6	0	6	100
Renal Unit with Dialysis Machines	5	0	5	100
Functional Operating Theatres Maternity and General	2	0	2	100

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

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

### **3. Failure to Prepare Quarterly Revenue Reports**

The statement of financial performance reflects Nil balance in relation to the rendering of services -medical income as disclosed in Note 11 to the financial statements. However, the Hospital did not provide evidence to show that the reports were prepared and submitted the same to the County Treasury with a copy to the Auditor-General. This was contrary to Regulation 64(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer or receiver of revenue or collector of revenue to prepare a quarterly report not later than the 15th day after the end of the quarter.

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

### **4. Lack of Fixed Asset Register**

The statement of financial position reflects Nil balance in respect to property, plant and equipment as disclosed in Note 31 to the financial statements. However, it was also noted that the Hospital does not maintain fixed asset register to control its assets. This was contrary to Regulation 136(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws.

In the circumstances, the existence of an effective mechanism to safeguard assets could not be confirmed and Management was in breach of the regulations.

### **5. Lack of Board of Management**

Review of the report of Board of Management at page v of the financial statements revealed that the Hospital did not have a Board of Management. This was contrary to Section 11 of the Machakos County Health Services Act, 2021, which requires every hospital to have a Hospital Management Board.

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

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements 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. Failure to Establish Internal Audit Function**

During the year under review, the Hospital did not have an internal audit function in place. This was contrary to Section 155(1) and (3a) of the Public Finance Management Act, 2012 which requires a County Government entity shall ensure that it has appropriate arrangements for conducting internal audit which should include reviewing the governance mechanisms of the entity and mechanisms for transparency and accountability with regard to the finances and assets of the entity.

In the circumstances, the internal controls, risk management and governance of the Hospital may not be effective.

### **2. Lack of Risk Management Policy**

During the year under review, the Hospital did not have a risk management policy in place. This was contrary to Regulation 158 of the Public Finance Management (County Governments) Regulations, 2015 that provides that the County Government entity shall develop risk management strategies, which include fraud prevention mechanism; and a system of risk management and internal control that builds robust business operations.

In the circumstances, the internal controls and risk management of the Hospital may not be effective.

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual



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

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

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

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

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

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

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and 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 controls 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 controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Hospital to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and 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

27 June, 2024

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

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

<b>Revenue from non-exchange transactions</b>			
Transfers from the County Government	6	1,000,000.00	
In- kind contributions from the County Government	7		
Grants from donors and development partners	8		
Transfers from other Government entities	9	-	
Public contributions and donations	10		
<b>Total Revenues from Non exchange transactions</b>		<b>1,000,000.00</b>	
<b>Revenue from exchange transactions</b>			
Rendering of services- Medical Service Income	11	-	
Revenue from rent of facilities	12		
Finance /Interest Income	13		
Other income balance b/f	14	85,866.00	
<b>Revenue from exchange transactions</b>		<b>85,866.00</b>	
<b>Total revenue</b>		<b>1,085,866.00</b>	
<b>Expenses</b>			
Medical/Clinical costs	15	259,500.00	
Employee costs	16	175,000.00	
Board of Management Expenses	17	-	
Depreciation and amortization expense	18	-	
Repairs and maintenance	19	205,000.00	
Grants and subsidies	20	-	
General expenses	21	443,911.00	
Finance costs	22		

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

---

<b>Total expenses</b>		<b>1,083,411.00</b>	
<b>Other gains/(losses)</b>			
Gain on disposal of non-Current assets	23		
Unrealized gain on fair value of investments	24		
Medical services contracts Gains/Losses	25		
Impairment loss	26		
Gain on foreign exchange transactions			
<b>Total other gains/(losses)</b>			
<b>Net Surplus for the year</b>		<b>2455</b>	
Attributable to:			
Surplus/(deficit) attributable to minority interest			
Surplus attributable to owners of the controlling entity			

The notes set out on pages 25 to 52 form an integral part of the Annual Financial Statements.

The Hospital's financial statements were approved by the Board on 26/12/2022 and signed on its behalf by:

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

---

.....

*[Handwritten signature]*



**Chairman**

**Brian Munguti**

**Brian Kavele**  
**Medical Superintendent**

**Board of Management**

**Head of Finance**  
**ICPAK No:**

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

Description	Notes	2021/22	2020/21
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	27	2455	
Receivables from exchange transactions	28		
Receivables from non-exchange transactions	29		
Inventories	30		
<b>Total Current Assets</b>		<b>2455</b>	
<b>Non-current assets</b>			
Property, plant, and equipment	31		
Intangible assets	32		
Investment property	33		
<b>Total Non-current Assets</b>			
<b>Total assets</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	34		
Refundable deposits from customers/Patients	35		
Provisions	36		
Finance lease obligation	37		
Current portion of deferred income	38		
Current portion of borrowings	39		
<b>Total Current Liabilities</b>			
<b>Non-current liabilities</b>			
Provisions	36		
Non-Current Finance lease obligation	37		
Non-Current portion of deferred income	38		
Non - Current portion of borrowings	39		
Service concession liability	40		
<b>Total Non-current liabilities</b>			
<b>Total Liabilities</b>			

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

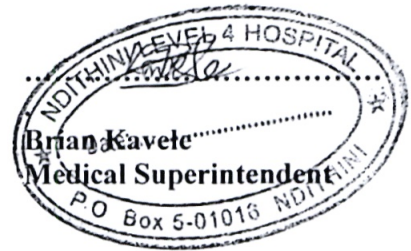
Description	Notes	2021/22	2020/21
		Kshs	Kshs
Net assets			
Revaluation reserve			
Accumulated surplus/Deficit		2,455	
Capital Fund			
<b>Total Net Assets and Liabilities</b>		<b>2,455</b>	

The notes set out on pages 25 to 52 form an integral part of the Annual Financial Statements)

The Hospital's financial statements were approved by the Board on 26/06/2022 and signed on its behalf by:

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

.....  
**Brian Munguti**  
**Head of Finance**  
**ICPAK No:**





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

<b>As at July 1, 2020</b>				
Revaluation gain				
Surplus/(deficit) for the year	-			
Capital/Development grants				
<b>As at June 30, 2021</b>				
<b>At July 1, 2021</b>				
Revaluation gain				
Surplus/(deficit) for the year	2455	-	-	2455
Capital/Development grants				
<b>At June 30, 2022</b>	<b>2455</b>	<b>-</b>	<b>-</b>	<b>2455</b>

The Hospital's financial statements were approved by the Board on 26/07/2022 and signed on its behalf by:

.....  
 Chairman

Board of Management

  
 Brian Munguti  
 Head of Finance

ICPAK No:



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



<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the County Government		1,000,000.00	
Grants from donors and development partners		-	
Transfers from other Government entities		-	
Public contributions and donations		-	
Rendering of services- Medical Service Income		-	
Revenue from rent of facilities		-	
Finance / interest income		-	
Other receipts balance b/f		85,866.00	
<b>Total Receipts</b>		<b>1,085,866.00</b>	
<b>Payments</b>			
Medical/Clinical costs		259,500.00	
Employee costs		175,000.00	
Board of Management Expenses		-	
Repairs and maintenance		205,000.00	
Grants and subsidies		-	
General expenses		443,911	
Finance costs		-	
Refunds paid out			
<b>Total Payments</b>		<b>1,083,411</b>	
<b>Net cash flows from operating activities</b>	41		
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment, & intangible assets			-
Proceeds from the sale of property, plant, and equipment		-	
Acquisition of investments		-	
<b>Net cash flows used in investing activities</b>		<b>-</b>	
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	
Repayment of borrowings			
Capital grants received			
<b>Net cash flows used in financing activities</b>			

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

---

<b>Net increase/(decrease) in cash and cash equivalents</b>			
Cash and cash equivalents at 1 July 2021	27	85,866	
<b>Cash and cash equivalents at 30 June</b>	27	<b>2455</b>	

The notes set out on pages 25 to 52 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 26/6/2022 and signed on its behalf by:

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



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

	<b>a</b>	<b>b</b>	<b>c=(a+b)</b>	<b>d</b>	<b>e=(c-d)</b>	<b>f=d/c%</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	
<b>Revenue</b>						
Transfers from the County Government	1,000,000	-	1,000,000	1,000,000	-	100
Grants from donors and development partners	-	-	-	-	-	-
Transfers from other Government entities	-	-	-	-	-	-
Public contributions and donations	-	-	-	-	-	-
Rendering of services- Medical Service Income	-	-	-	-	-	-
Revenue from rent of facilities	-	-	-	-	-	-
Finance / interest income	-	-	-	-	-	-
Other receipts	85,866.00	-	85,866.00	85,866.00	-	100
<b>Total income</b>	<b>1,085,866.00</b>	<b>-</b>	<b>1,085,866.00</b>	<b>1,085,866.00</b>		<b>100</b>
<b>Expenses</b>						
Medical/Clinical costs	259,500.00	-	259,500.00	259,500.00		
Employee costs	175,000.00	-	175,000.00	175,000.00		
Remuneration of directors	-	-	-	-	-	100

Repairs and maintenance	205,000	-	205,000	205,000	-	100
Grants and subsidies		-			-	-
General expenses	443,911	-	443,911	443,911	-	100
Finance costs					-	-
Refunds					-	100
Inventories						
<b>Total expenditure</b>	<b>1,083,411</b>	<b>-</b>	<b>1,083,411</b>	<b>1,083,411</b>		<b>100</b>
<b>Surplus for the period</b>	<b>2,455</b>	<b>-</b>	<b>2,455</b>	<b>2,455</b>	<b>-</b>	<b>-</b>

The notes set out on pages 25 to 52 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 26/08/2022 and signed on its behalf by:

.....  
**Chairman**

**Board of Management**

.....  
**Brian Munguti**  
**Head of Finance**  
**ICPAK No:**



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

### **1. General Information**

The Hospital is established by the County Government Act number 17 of 2012 and derives its authority and accountability from health act number 31 of 2017. The entity is wholly owned by Machakos County Government and is domiciled in Machakos County in Kenya. The entity's principal activity is to provide quality health care services to the people of Ndithini and Masinga Sub-County at large by preventing, controlling and eradicating diseases. Further the facility is tasked to rehabilitate and promote healthy living by ensuring quick accessibility of efficient, equitable, affordable and sustainable health services.

### **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 hospitals accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note xx The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the facility.

The financial statements have been prepared in accordance with the PFM Act, and County Government Act number 17 of 2012, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

### **3. Adoption of New and Revised Standards**

IPSASB deferred the application date of standards from 1<sup>st</sup> January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1<sup>st</sup> January 2023.

*Notes to the Financial Statements (Continued)*

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

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

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



	<p>leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
<p>IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations</p>	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

**ii. Early adoption of standards**

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

**4. Summary of Significant Accounting Policies**

**a) Revenue recognition**

**i) Revenue from non-exchange transactions**

**Transfers from other Government entities**

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

*Notes to the Financial Statements (Continued)*

**Revenue from exchange transactions**

**Rendering of services**

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

**Sale of goods**

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

**Interest income**

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

**Dividends**

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

**Rental income**

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

*Notes to the Financial Statements (Continued)*

**Budget information**

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

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section of statement of comparison of budget 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 *10* years. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

**e) Property, plant and equipment**

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

*Notes to the Financial Statements (Continued)*

**Leases**

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

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

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

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

**g) Intangible assets**

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

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

**h) Research and development costs**

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

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

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

**i) Financial instruments**

**Financial assets**

**Initial recognition and measurement**

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments

or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

**Loans and receivables**

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

*Notes to the Financial Statements (Continued)*

**Held-to-maturity**

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

**Impairment of financial assets**

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

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

**Financial liabilities**

**Initial recognition and measurement**

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

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

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

**Loans and borrowing**

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

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

**i) Inventories**

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

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

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

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

**j) Provisions**

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



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

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

**Contingent liabilities**

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

**Contingent assets**

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

**k) Nature and purpose of reserves**

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

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

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

**m) Employee benefits**

**Retirement benefit plans**

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

*Notes to the Financial Statements (Continued)*

**n) Foreign currency transactions**

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

**o) Borrowing costs**

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

**p) Related parties**

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

**q) Service concession arrangements**

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

*Notes to the Financial Statements (Continued)*

**r) Cash and cash equivalents**

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

**s) Comparative figures**

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

**t) Subsequent events**

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

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

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

**Estimates and assumptions**

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

*Notes to the Financial Statements (Continued)*

**Useful lives and residual values**

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

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

**Provisions**

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

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

**Transfers From The County Government**

<b>Unconditional grants</b>	<b>1,000,000</b>	
Operational grant		
Level 5 grants		
Other grants		
<b>Conditional grants</b>		
User fee forgone		
Transforming health services for Universal care project (THUCP)		
DANIDA		
Wards Development grant		
Paediatric block grant		
Administration block grant		
Laboratory grant		
<b>Total government grants and subsidies</b>	<b>1,000,000</b>	

*Notes to the Financial Statements (Continued)*

**6 Transfers from The County Government**

Machakos County Government	1,000,000.00	-	0	0	0
<b>Total</b>	<b>1,000,000.00</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>0</b>

**7. In Kind Contributions from The County Government**

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

**8. Grants From Donors and Development Partners**

Cancer Centre grant- DANIDA		
World Bank grants		
Paediatric ward grant- JICA		
Research grants		
Other grants ( <i>specify</i> )		
<b>Total grants from development partners</b>		

Notes to the Financial Statements (Continued)

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

Donor e.g., DANIDA					
JICA					
World Bank					
<b>Total</b>					

**Transfers From Other Government Entities**

Transfer from National Government (Ministry of Health)		
Transfer from National Hospital		
Transfer from Institute		
<b>Total Transfers</b>		

9. Public Contributions and Donations

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

*Notes to the Financial Statements (Continued)*

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

<b>Balance unspent at beginning of year</b>		
Current year receipts		
Amortised and transferred to revenue		
<b>Conditions to be met – remain liabilities</b>		

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

Pharmaceuticals		
Non-Pharmaceuticals		
Laboratory		
Radiology		
Orthopedic and Trauma Technology		
Theatre		
Accident and Emergency Service		
Anesthesia Service		
Ear Nose and Throat service		
Nutrition service		
Cancer centre service		
Dental services		
Reproductive health		
Paediatrics services		
Farewell home services		
Other medical services income		
<b>Total revenue from the rendering of services</b>		



*Notes to the Financial Statements (Continued)*

**12. Revenue From Rent of Facilities**

Residential property		
Commercial property		
<b>Total Revenue from rent of facilities</b>		

**13. Finance /Interest Income**

Cash investments and fixed deposits		
Interest income from short- term/ current deposits		
Interest income from Treasury Bills		
Interest income from Treasury Bonds		
Interest from outstanding debtors		
<b>Total finance income</b>		

**14. Other Income**

Insurance recoveries		
Income from sale of tender		
Services concession income		
Sale of goods (water, publications, containers etc)		
<b>Total other income(balance b/f)</b>	<b>85,866.00</b>	

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

**15. Medical/ Clinical Costs**

Dental costs/ materials		
Laboratory chemicals and reagents		
Public health activities		
Food and Ration	199,500	
Uniform, clothing, and linen	-	
Dressing and Non-Pharmaceuticals	-	
Pharmaceutical supplies	-	
Health information stationery	-	
Reproductive health materials	-	
Sanitary and cleansing Materials	-	
Purchase of Medical gases	-	
X-Ray/Radiology supplies	-	
Other medical related clinical costs ( <i>specify</i> )	60,000	
<b>Total medical/ clinical costs</b>	<b>259,500</b>	

**16. Employee Costs**

Salaries, wages, and allowances	175,000	
Contributions to pension schemes	-	
Service gratuity	-	
Performance and other bonuses	-	
Staff medical expenses and Insurance cover	-	
Group personal accident insurance and WIBA	-	
Social contribution	-	
Other employee costs ( <i>specify</i> )	-	
<b>Employee costs</b>	<b>175,000</b>	

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

**7. Board of Management Expenses**

Chairman's Honoraria		
Sitting allowance		
Mileage		
Insurance expenses		
Induction and training		
Travel and accommodation allowance		
Airtime allowances		
<b>Total</b>		

**8. Depreciation And Amortization Expense**

Property, plant and equipment		
Intangible assets		
Investment property carried at cost		
<b>Total depreciation and amortization</b>		

**19. Repairs And Maintenance**

Property- Buildings	90,000	
Medical equipment	-	
Office equipment	-	
Furniture and fittings	90,000	
Computers and accessories	-	
Motor vehicle expenses	25,000	
Maintenance of civil works	-	
<b>Total repairs and maintenance</b>	<b>205,000</b>	

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

**20. Grants And Subsidies**

Community development and social work		
Education initiatives and programs		
Free/ subsidised medical camp		
Disability programs		
Free cancer screening		
Other grants and subsidies( <i>specify</i> )		
<b>Total grants and subsidies</b>		

**21. General Expenses**

Advertising and publicity expenses	-	
Catering expenses	-	
Waste management expenses	-	
Insecticides and rodenticides	-	
Audit fees	-	
Bank charges	1,911	
Conferences and delegations	-	
Consultancy fees	-	
Contracted services		
Electricity expenses	50,000	
Insurance	-	
Research and development expenses	-	
Travel and accommodation allowance	235,000	
Legal expenses	-	
Licenses and permits	-	
Courier and postal services	-	
Printing and stationery	92,000	
Hire charges	-	
Rent expenses	-	
Water and sewerage costs	65,000	
Skills development levies	-	
Telephone and mobile phone services	-	

Internet expenses		
Staff training and development	-	
Subscriptions to professional bodies	-	
Subscriptions to newspapers periodical, magazines, and gazette notices	-	
Library books/Materials	-	
Parking charges	-	
<b>Total General Expenses</b>	<b>443,911</b>	<b>-</b>

**2. Finance Costs**

Borrowings (amortized cost) *		
Finance leases (amortized cost)		
Interest on Bank overdrafts/Guarantees		
Interest on loans from commercial banks		
<b>Total finance costs</b>		

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

Property, plant, and equipment		
Intangible assets		
Other assets not capitalised ( <i>specify</i> )		
<b>Total gain on sale of assets</b>		

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

Investments at fair value		
<b>Total gain</b>		

*Notes to the Financial Statements (Continued)*

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

Comprehensive care contracts with NHIF		
Non- Comprehensive contracts care with NHIF		
Linda Mama Program		
Waivers and Exemptions		
<b>Total Gain/Loss</b>		

**26. Impairment Loss**

Property, plant, and equipment		
Intangible assets		
<b>Total impairment loss</b>		

**27. Cash And Cash Equivalents**

Current accounts	2455	85,866
On - call deposits		
Fixed deposits accounts		
Cash in hand		
Others( <i>specify</i> )- Mobile money		
<b>Total cash and cash equivalents</b>	<b>2455</b>	<b>85,866</b>

Notes to the Financial Statements (Continued)

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

<b>a) Current account</b>			
Kenya Commercial bank	1128456419	2,455	
Equity Bank, etc		-	
<b>Sub- total</b>		<b>2,455</b>	
<b>b) On - call deposits</b>			
Kenya Commercial bank		-	
Equity Bank – etc		-	
<b>Sub- total</b>		<b>-</b>	
<b>c) Fixed deposits account</b>			
Bank Name		-	
<b>Sub- total</b>		<b>-</b>	
<b>d) Others(specify)</b>			
cash in hand		-	
Mobile money- Mpesa, Airtel money		-	
<b>Sub- total</b>		<b>-</b>	
<b>Grand total</b>		<b>2,455</b>	

3. Receivables From Exchange Transactions

Medical services receivables		
Rent receivables		
Other exchange debtors		
Less: impairment allowance		
<b>Total receivables</b>		

*Notes to the Financial Statements (Continued)*

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

Transfers from the County Government		
Undisbursed donor funds		
Other debtors		
Less: impairment allowance		
<b>Total</b>		

**30. Inventories**

Pharmaceutical supplies		
Maintenance supplies		
Food supplies		
Linen and clothing supplies		
Cleaning materials supplies		
General supplies		
Less: provision for impairment of stocks		
<b>Total</b>		



Notes to the Financial Statements (Continued)

31. Property, Plant and Equipment

<b>Cost</b>								
At 1 July 2020								
Additions								
Disposals								
Transfers/adjustments								
<b>At 30<sup>th</sup> June 2021</b>								
At 1 <sup>st</sup> July 2021								
Additions								
Disposals								
Transfer/adjustments								
<b>At 30<sup>th</sup> June 2022</b>								
<b>Depreciation and impairment</b>								
At 1 July 2020								
Depreciation for the year								
Disposals								
Impairment								

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

<b>At 30 June 2021</b>								
At July 2021								
Depreciation								
Disposals								
Impairment								
Transfer/adjustment								
<b>At 30<sup>th</sup> June 2022</b>								
<b>Net book values</b>								
At 30 <sup>th</sup> June 2021								
At 30 <sup>th</sup> June 2022								

*Notes to the Financial Statements (Continued)*

**32. Intangible Assets-Software**

Intangible Assets-Software		
<b>Cost</b>		
<b>At beginning of the year</b>		
Additions		
Additions-Internal development		
Disposal		
<b>At end of the year</b>		
<b>Amortization and impairment</b>		
<b>At beginning of the year</b>		
Amortization for the period		
Impairment loss		
<b>At end of the year</b>		
<b>NBV</b>		

**33. Investment Property**

Investment Property		
<b>At beginning of the year</b>		
Additions		
Fair value gain		
Depreciation		
<b>At end of the year</b>		

**34. Trade And Other Payables**

Trade And Other Payables		
Trade payables		
Employee dues		
Third-party payments		
Audit fee		
Doctors' fee		
<b>Total trade and other payables</b>		

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

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

Medical fees paid in advance			
Credit facility deposit			
Rent deposits			
Others ( <i>specify</i> )			
<b>Total deposits</b>			

**36. Provisions**

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

**37. Finance Lease Obligation**

		<b>Kshs</b>	<b>Kshs</b>
Current Lease obligation			
Long term lease obligation			
<b>Total</b>			

Notes to the Financial Statements (Continued)

38. Deferred Income

Current Portion		
Non-Current Portion		
<b>Total</b>		

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

<b>Balance b/f</b>				
Additions during the year				
Transfers to Capital fund				
Transfers to statement of financial performance				
Other transfers ( <i>Specify</i> )				
<b>Balance C/F</b>				

39. Borrowings

<b>Balance at beginning of the period</b>		
External borrowings during the year		
Domestic borrowings during the year		
Repayments of external borrowings during the year		
Repayments of domestic borrowings during the year		
<b>Balance at end of the period</b>		

*Notes to the Financial Statements (Continued)*

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

Current Obligation		
Non-Current Obligation		
<b>Total</b>		

**40. Service Concession Arrangements**

Fair value of service concession assets recognized under PPE		
Accumulated depreciation to date		
Net carrying amount		
Service concession liability at beginning of the year		
Service concession revenue recognized		
Service concession liability at end of the year		

**41. Cash Generated from Operations**

<b>Adjusted for:</b>		
Depreciation		
Non-cash grants received		
Impairment		
Gains and losses on disposal of assets		
Contribution to provisions		
Contribution to impairment allowance		
<b>Working Capital adjustments</b>		
Increase in inventory		
Increase in receivables		
Increase in deferred income		
Increase in payables		
Increase in payments received in advance		
<b>Net cash flow from operating activities</b>		

*Notes to the Financial Statements (Continued)*

**42. Financial Risk Management**

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

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

**(i) Credit risk**

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

*Notes to the Financial Statements (Continued)*

At 30 June 2020				
Receivables from exchange transactions				
Receivables from –non-exchange transactions				
Bank balances				
<b>Total</b>				
<b>At 30 June 2022</b>				
Receivables from exchange transactions				
Receivables from –non-exchange transactions				
Bank balances				
<b>Total</b>				

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

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

**(ii) Liquidity risk management**

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

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



<b>At 30 June 2021</b>				
Trade payables				
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
<b>Total</b>				
<b>At 30 June 2022</b>				
Trade payables				
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
<b>Total</b>				

**(iii) Market risk**

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

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

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

**a) Foreign currency risk**

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

At 30 June 2022			
Financial assets (investments, cash, debtors)			
Liabilities			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)			

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

At 30 June 2022			
Financial assets (investments, cash, debtors)			
Liabilities			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)			

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

**Foreign currency sensitivity analysis**

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

<b>2021</b>			
Euro			
USD			
<b>2022</b>			
Euro			
USD			

**Interest rate risk**

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

**Management of interest rate risk**

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

**Sensitivity analysis**

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

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

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

**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:

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

**43. Related Party Balances**

**Nature of related party relationships**

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

**Government of Kenya**

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

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

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

Transactions with related parties		
<b>a) Services offered to related parties</b>		
Services to xxx		
Sales of services to xxx		
<b>Total</b>		
<b>b) Grants from the Government</b>		
Grants from County Government		
Grants from the National Government Entities		
Donations in kind		
<b>Total</b>		
<b>c) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for xxx employees		
Payments for goods and services for xxx		
<b>Total</b>		
<b>d) Key management compensation</b>		
Directors' emoluments		
Compensation to the medical Sup		
Compensation to key management		
<b>Total</b>		

*Notes to the Financial Statements (Continued)*

**44. Segment Information**

**45. Contingent Liabilities**

Court case xxx against the company		
Bank guarantees in favour of subsidiary		
<b>Total</b>		

**46. Capital Commitments**

	<b>Kshs</b>	<b>Kshs</b>
Authorised For		
Authorised And Contracted For		
<b>Total</b>		

**47. Events After The Reporting Period**

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

**48. Ultimate And Holding Entity**

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

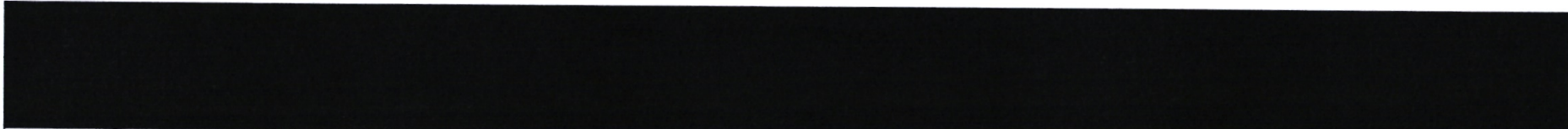
**49. Currency**

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

**XIX. Appendices**

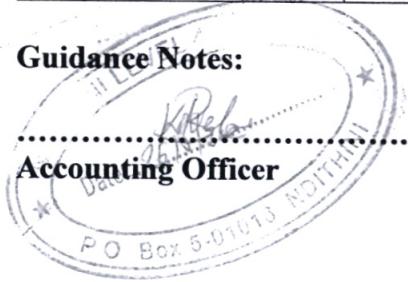
**Appendix 1: Progress on Follow Up Of Auditor Recommendations**

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




**Guidance Notes:**

.....  
**Accounting Officer**



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

Projects implemented by the Hospital Funded by development partners

1						
2						

**Status of Projects completion**

*(Summarise the status of project completion at the end of each quarter, i.e. total costs incurred, stage which the project is etc)*

1							
2							
3							



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

**REPUBLIC OF KENYA**



COUNTY GOVERNMENT OF MACHAKOS  
DEPARTMENT OF HEALTH & EMERGENCY SERVICES

Telephone: 0726 280671  
Email: [ndithini4@gmail.com](mailto:ndithini4@gmail.com)

NDITHINI LEVEL 4 HOSPITAL,  
P.O. BOX 5 NDITHINI

*NDITHINI LEVEL 4 HOSPITAL  
PO BOX 4 HOSPITAL*

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

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

Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (KShs) as at 30th June 2022				Amount Received by [beneficiary entity] (KShs) as at 30 <sup>th</sup> June 2021 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
MACHAKOS COUNTY /REC/0100026544	15/09/2021	1,000,000	0	0	1,000,000	0	1,000,000
<b>Total</b>		<u>1,000,000</u>	<u>0</u>	<u>0</u>	<u>1,000,000</u>	0	1,000,000

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

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

Name ..... *P. M. M.* ..... Sign ..... *[Signature]* ..... Date ..... *26/6/2022* .....

**APPENDIX V Reporting of Climate Relevant Expenditures**

Name of the Organization

Telephone Number

Email Address

Name of Medical Supp/MD/Head

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

				Q1	Q2	Q3	Q4		

**APPENDIX VI Disaster Expenditure Reporting Template**

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