

REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

PAPERS LAID	
DATE	26.9.24
TABLED BY	M.L
COMMITTEE	-
CLERK AT THE TABLE	Cherop

PARLIAMENT  
OF KENYA  
LIBRARY

**OF**

**THE AUDITOR-GENERAL**

**ON**

**MSAMBWENI COUNTY REFERRAL HOSPITAL**

**FOR THE YEAR ENDED  
30 JUNE, 2023**

**COUNTY GOVERNMENT OF KWALE**



---

# **Msambweni County Referral Hospital Level 5 HOSPITAL (Kwale County Government)**

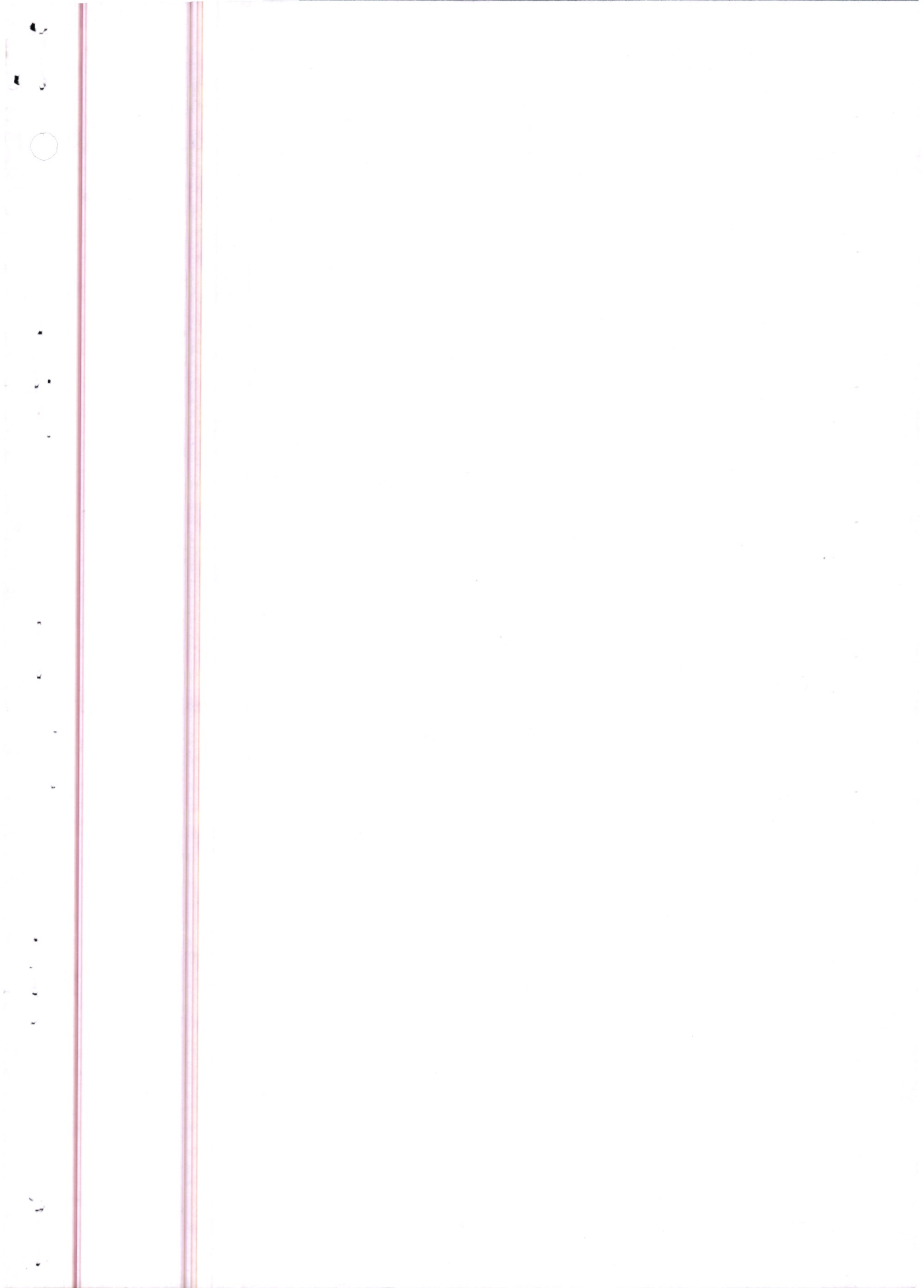
**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2023**

---

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

*[Handwritten signature]*



***Msambweni County Referral Hospital (Kwale County Government)***  
***Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023***

---

**Table of Contents**

<b>1. Acronyms &amp; Glossary of Terms .....</b>	<b>ii</b>
<b>2. Key Entity Information and Management.....</b>	<b>iii</b>
<b>3. The Board of Management.....</b>	<b>vi</b>
<b>4. Key Management Team.....</b>	<b>ix</b>
<b>5. Chairman’s Statement.....</b>	<b>x</b>
<b>6. Report of The Medical Superintendent.....</b>	<b>xi</b>
<b>7. Statement of Performance Against Predetermined Objectives .....</b>	<b>xii</b>
<b>8. Corporate Governance Statement .....</b>	<b>xiii</b>
<b>9. Management Discussion and Analysis .....</b>	<b>xv</b>
<b>10. Environmental And Sustainability Reporting.....</b>	<b>xix</b>
<b>11. Report of The Board of Management .....</b>	<b>xxii</b>
<b>12. Statement of Board of Management’s Responsibilities .....</b>	<b>xxiii</b>
<b>13. Report of the Independent Auditor (<i>specify entity name</i>).....</b>	<b>xxiv</b>
<b>14. Statement of Financial Performance for The Year Ended 30 June 2023 .....</b>	<b>1</b>
<b>15. Statement of Financial Position As At 30<sup>th</sup> June 2023 .....</b>	<b>3</b>
<b>16. Statement of Changes in Net Asset for The Year Ended 30 June 2023 .....</b>	<b>5</b>
<b>17. Statement of Cash Flows for The Year Ended 30 June 2023 .....</b>	<b>6</b>
<b>18. Statement of Comparison of Budget and Actual Amounts for Year Ended 30 Jun 223..</b>	<b>8</b>
<b>19. Notes to the Financial Statements .....</b>	<b>10</b>
<b>20. Appendices .....</b>	<b>55</b>

**1. Acronyms & Glossary of Terms**

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

CSR	Corporate Social Responsibility
OSHA	Occupational Health & Safety Act
PFMA	Public Financial Management Act
MED SUP	Medical Superintendent
Fiduciary Management	Key management personnel who have financial responsibility in the entity.

*(This list is an indication of the common acronyms and glossary of terms; the entity should include all from the annual report and financial statements prepared)*

**2. Key Entity Information and Management**

**(a) Background information**

Msambweni County Referral Hospital is a level (5) hospital established under gazette (supplement No.6) legal notice number 3 dated 25th January 2017 and is domiciled in Kwale County under the Health Department. The hospital is governed by a Board of Management.

**(b) Principal Activities**

The principal activity of the hospital is to provide health care services.

**Vision**

The hospital of choice in provision of health care in Kenya and beyond.

**Mission**

To promote and provide quality acceptable, accessible, Affordable and timely health care services to all in a conducive environment.

**Values**

- Observe professional ethics
- Respect and honest to all patients/clients
- Foster team work among staff
- Recognize collaboration and team work with other stakeholder

**(c) Key Management**

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

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

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2023 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Hospital Director	Francis Ndiege
2.	Hospital Accountant	Halima Ngome
3.	Head of supply chain	Pauline Nerima
4.		-
5.		

*(Include all positions regarded as top management in your hospital).*

**(e) Fiduciary Oversight Arrangements**

- Clinical Research and Standards Committee.

Audit committee activities

The primary purpose of a hospital's audit committee is to provide oversight of the financial reporting process the audit process, the hospital's system of internal controls and compliance with laws and regulations.

- Finance committee activities

The role of the finance committee is primarily to provide short- and long-term financial oversight for the hospital financial obligations.

(The committee ensures books of account are well prepared in accordance with PFM ACT and acceptable standard,

Approving and signing of budgets according to absorption's capacities of the absorption's capacity of departments)

- Environment committee activity

They are responsible for analysing and resolving Environment of Care issues.

Identify and generate improvement opportunities and process change to facilitate the safety, security, and comfort of patients and their social environment. Establish and maintain risk assessment and evaluation criteria to identify the priority of performance improvements and process changes.

- Health Committee Activities

Their roles and responsibilities generally relate to identifying and addressing health issues within the community, as well as supporting CHWs and/or other volunteer health cadres.

1. Risk Committee
2. County Assembly
3. Parliamentary committees
4. Other oversight committees

**Key Entity Information and Management (continued)**

**(f) Entity Headquarters**

P.O. Box 8  
Msambweni hospital  
Mombasa Lungalunga road  
Kwale, Kenya

**(g) Entity Contacts**

Telephone: (+254) 0111781852  
E-mail: [msambwenihosp@gmail.com](mailto:msambwenihosp@gmail.com)  
Website: [www.go.ke](http://www.go.ke)

**(h) Entity Bankers**

Kenya Commercial Bank  
Ukunda Branch  
P.o Box 48400-00100  
Nairobi

**(i) Independent Auditors**

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

**(j) Principal Legal Adviser**



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

**(k) County Attorney**




P.O. Box. 4, 80403  
Kwale, Kenya



**3. The Board of Management**

Ref	Directors	Details
1.		<p><b>FRANCIS NDIEGE</b>  <b>DIRECTOR- MSAMBWENI COUNTY REFERRAL HOSPITAL</b>                      Degree in Forestry-Korsholms Skogslaroanstalt, Vasa Finland - Ag. Director                      1995-99 Assistant DFO – Meru District, 1999-2000- DFO-Tharaka District, 2000-2002, Manager -Wakuluzu Friends of the Colobus Trust-Diani, 2005-2008 Product Manager (EA)-Camp Kenya Limited, 2008-2015- today- Technical Lead-Ozone Eco-Solutions, 2015-2017- Political &amp; Policy Advisor –Office of Governor- Kwale County, 2018- Nov 2022- M &amp; E Advisor - Governor’s Service Delivery Unit-Kwale County.                      Experience and skills in Management, Strategic Planning, policy development, Monitoring and Evaluation both in the public and the private sector. Further skills in resource mapping, Participatory Methodologies, Community Mobilization, Proposal writing/Fund raising skills, Report Writing, Product Research and Development                      Baseline surveys, feasibility studies, Business Planning.</p>
2.		<p><b>HUSSEIN JUMA MGUNGA</b>  <b>Msambweni County Referral Hospital Board Chairman</b>  <b>Date of Birth ;12/08/1972</b>  <u>Educational carrier</u>                      Eshuprimary school 1979-to-1986 Eshu primary School                      Secondary school 1987-to-1990 Shimba Hills High School  <b><u>Colleges attended</u></b>                      Clearing and forwarding Certificate1991april to Oct 1991 Kenya institute of Cl. And Forwarding                      Computer science Certificate 5th Jan 1995 to 31<sup>st</sup> July 1995 Aries Data system                      Professional Driving Carrier Awarded class “C”</p>




**Msambweni County Referral Hospital (Kwale County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023**

		<p>license Kilimanjaro Driving School  Foreign language (French) Certificate still  schooling Allais French School  Mount Kenya University Diploma in Community  Development Jan 2017 to 6/4/2018  Mount Kenya university Bachelor's of  Development studies 2018_2023  <u>Working experience</u>  The Mombasa hospital Accounts clerk Feb1992  To Oct 1996  Soweto general hospital Accountant 1<sup>st</sup> Nov.1996 to  Dec.2001  Peacock Tours and safaris Accountant/General  manager 5Feb 2002-11<sup>TH</sup>Dec2002  Lipi Adventure Company Operations Director 15<sup>TH</sup> Dec  2003 to Date  Trails of EAST Africa Safaris Owner15<sup>TH</sup> Dec 2008 to Date</p>
3.		<p><b>THOMAS NGULI</b>  COMMUNITY LEADER</p>
4.		<p><b>ABDALLAH GWADZIKO</b>  MR. Abdalla Gwadziko has experience in community  work within and outside Msambweni areas.</p>
5.		<p><b>MWAKAJE HAMZA</b>  Board Member</p>

*Msambweni County Referral Hospital (Kwale County Government)  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023*

6.		AMANI MAZURI Board Member
7.		IMANI KEA Board Member
8.		DASI HASSAN Board Member
9.		NEHEMIA KINYWA Board Member
10.		FATUMA OMAR MAZURI Board Member

**4. Key Management Team**

Ref	Management	Details
1.	 A black and white portrait of a man with glasses, wearing a suit and tie, smiling.	<p><b>FRANCIS NDIEGE</b> DIRECTOR- MSAMBWENI COUNTY REFERRAL HOSPITAL</p>
2.	 A black and white portrait of a woman wearing a white hijab and glasses, smiling.	<p><b>HANIFA MWARORA</b> NURSING MANAGER</p>
3.	 A black and white portrait of a woman wearing a white hijab, looking directly at the camera.	<p><b>HALIMA NGOME</b> ACCOUNTANT</p>

## **5. Chairman's Statement**

I take this opportunity to present to you the achievements, challenges and the future outlook of the hospital.

The Hospital has achieved the following success during my tenure of service.

- Improved furniture
- Reverse osmosis
- Relocation of the Maternity wing
- Construction of Mortuary Waiting bay

The hospital has the following challenges;

Human resource- the hospital has shortage of staff especially nursing and Radiology departments and mostly very few supporting

Lack of water purification plant- the hospital lacks clean water thus making it difficult to run a renal unit department.

Security – the hospital lacks driven security personnel.

Waste system. The bio gas system is overflowing

Storage – The hospital need a store to keep most scatted unused items and even the scrap vehicles in the hospital compound.

Future outlook

We are set to engage private security company for security measures

We are looking forward to get more staff from the County Government

We are hoping to get more finances from the Head quarter for Hospital running expenditures.

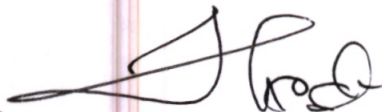
We are looking forward to change the filling system of the hospital from manual to digital so as to save space and for easy reference of patient's information

The hospital is looking forward to install water purification plant.

The hospital needs a Health Administrator

The hospital needs urgent face lifting

The hospital needs strategies leading it to its facilities making it efficient for level 5



.....HUSEIN MGUNU.....

**Name**

**Chairman to the Board**

**6. Report of The Medical Superintendent/ Hospital Director**

It is my pleasure to present Msambweni County Referral Hospital (MCRH) financial Statements for the year ended 30<sup>th</sup> June 2023. The statement presents the financial performance of the hospital for the past year.

The right to health is a fundamental human right guaranteed in the Constitution of Kenya. Article 43 (1) (a) of the Constitution provides that every person has the right to the highest Attainable standard of health, which includes the right to health care services, including Reproductive health care.

**Financing of the hospital**

The equitable share for the Counties from the National Government forms part of the revenues the hospital uses to operationalize its activities. The County government also finances the operations of Msambweni County Referral Hospital through own generated revenues. The law Does not allow revenue collected to be used at source therefore revenues (receipts from Patients) collected by the hospital are remitted to the County Treasury. Other sources of finances include aid from development partners inform of equipments.

.....  
Name *Robert*  
Secretary to the Board

*Robert*  
**DIRECTOR**  
**MSAMBWENI COUNTY REFERRAL HOSPITAL**  
**P.O. Box 8 - 80404**  
**MSAMBWENI**

**7. Statement of Performance Against Predetermined Objectives**

**STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES**

During the year the Hospital achieved the set performance targets per strategic pillar as shown below.

<p><b>Customer: Aimed at customer and stakeholder satisfaction</b></p> <ul style="list-style-type: none"> <li>• Theatre utilization at 90%</li> <li>• Operational level 2 theatre</li> <li>• Introduction of CT scan services</li> <li>• Construction of the Mortuary Waiting Bay which is on-going.</li> <li>• Expansion of the Laboratory Building</li> </ul>	<p>Internal processes- Concerned with the processes that create and deliver the customer value proposition.</p>
<p><b>Organizational Capacity: The level of an organization's capability to deliver services that not only satisfy the present customer expectations, but continually anticipate future opportunities</b></p>	<p>Financial: Whether the hospital financial status has improve</p> <ul style="list-style-type: none"> <li>• Introduction of Pay bill method of revenue collection has increased the revenue collected.</li> </ul>

Msambweni County Referral Hospital has strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2022- FY 2023. These strategic pillars/ themes/ issues are as follows:

Pillar /theme/issue 1:

Pillar/theme/issue 2:

Msambweni County Referral Hospital develops its annual work plans based on the above pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Msambweni County Referral Hospital achieved its performance targets set for the FY 2022/2023 period for its strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar/ theme/ issue 1:				
Pillar/ theme/ issue 1:				

## **8. Corporate Governance Statement**

The board was appointed on 2<sup>nd</sup> May 2023 as per gazette notice no 5657 and at the end of the financial year 2022/2023 the hospital board had conducted 1 board meeting.

Member's presents were;

- |                       |                  |
|-----------------------|------------------|
| 1. Hassan Mgunga      | - Board Chairman |
| 2. Amani Mazuri       | - Member         |
| 3. Thomas Nguli       | - Member         |
| 4. Hassan Dasi        | - Member         |
| 5. Nehemiah Kinywa    | - Member         |
| 6. Fatuma Omar Mazuri | - Member         |
| 7. Imani Keya         | - Member         |
| 8. Mwakaje Hamza Boga | - Member         |
| 9. Abdallah Gwadziko  | - Member         |

### **Succession Planning –**

Succession planning is a process of recognizing and preparing new leaders who can take the leadership roles and replace the old leaders once they leave due to retirement, resignation, promotion, transfer, or death.

The member shall vacate his /her position on the committee in the following;

- If a member is absent without apology and reasonable explanation from 3 consecutive meeting of the committee
- If in the case of a member of non-governmental organisation, the member ceases to hold the office by virtue of which his nomination was made.
- If a member convicted of a criminal offence.
- If a member ceases to reside or practise in the area of hospital jurisdiction
- If a member voluntarily resigns from the committee
- If a member deceased
- If a member involved in gross conflict of interest and the committee recommend to the minister

### **Membership**

In accordance with the legal Notice No 155 of October 2009, the HMC membership shall be as follows:

- a) There shall be at least seven (7) and not more than nine (9) members of the committee appointed by the minister.
- b) A member of the committee, apart from the ex-officio, shall hold office for a period of three (3) years and shall be eligible for appointment for one (1) further term
- c) A person shall not be appointed as a member of the committee unless that person holds at least a O-level certificate of education or its equivalent.
- d) To the extent feasible, committee members should ride or work in the hospital service area



### **Composition**

The total membership of the committee shall be at least seven (7) and not more than nine (9) members and shall consist of;

- a) A chairperson nominated by members of the committee from among themselves and appointed by the minister
- b) The area provincial commissioner or his/her (level5 hospital) District medical services officer (level4 hospital) or his /her representative duly nominated by him/her in writing.
- c) The area provincial director of medical services (level5) district medical (level5) district medical services officer (level4) or his/her representative duly nominated by him/her in writing.
- d) The person in charge of the hospital who shall be the secretary.
- e) The person in charge of a local authority provincial/district or sub-district

### **ROLES**

- a) Approve the work plan prepared by the facilities
- b) Ensuring equitable distribution of resources to the medical facilities
- c) Reviewing and approving annual expenditure statements

### **Core Functions**

- a) The legal Notice No 255 of October 2009 spells out the core function of the HMC at the respective level as the following:
- b) To supervise and control the administration of the fund allocated to a provincial district or sub-district hospital;
- c) To open and operate a bank account at a bank to be approved by the minister for the time being responsible for finance
- d) To prepare work plan based on estimated expenditure
- e) To cause to be kept book of accounts of and record of accounts of the income, expenditure, assets and liabilities of the hospital.
- f) To prepare and submit certified periodic financial and performance report at prescribed
- g) To cause to be kept a permanent record of all deliberations.

### **Core Responsibilities**

- Overseeing hospital performance improvements
- Participating in planning for the hospital
- Mobilizing resources
- Overseeing the function operations of the hospital
- Ensuring development of hospital human resources
- Ensuring communities' right are fulfilled and their needs are adequately met.
- Maintaining a positive public image
- Ensuring compliance with environmental regulations and standards
- Ensuring external relationship and partnerships
- Mitigate potential conflict of interest.
- Risk Management

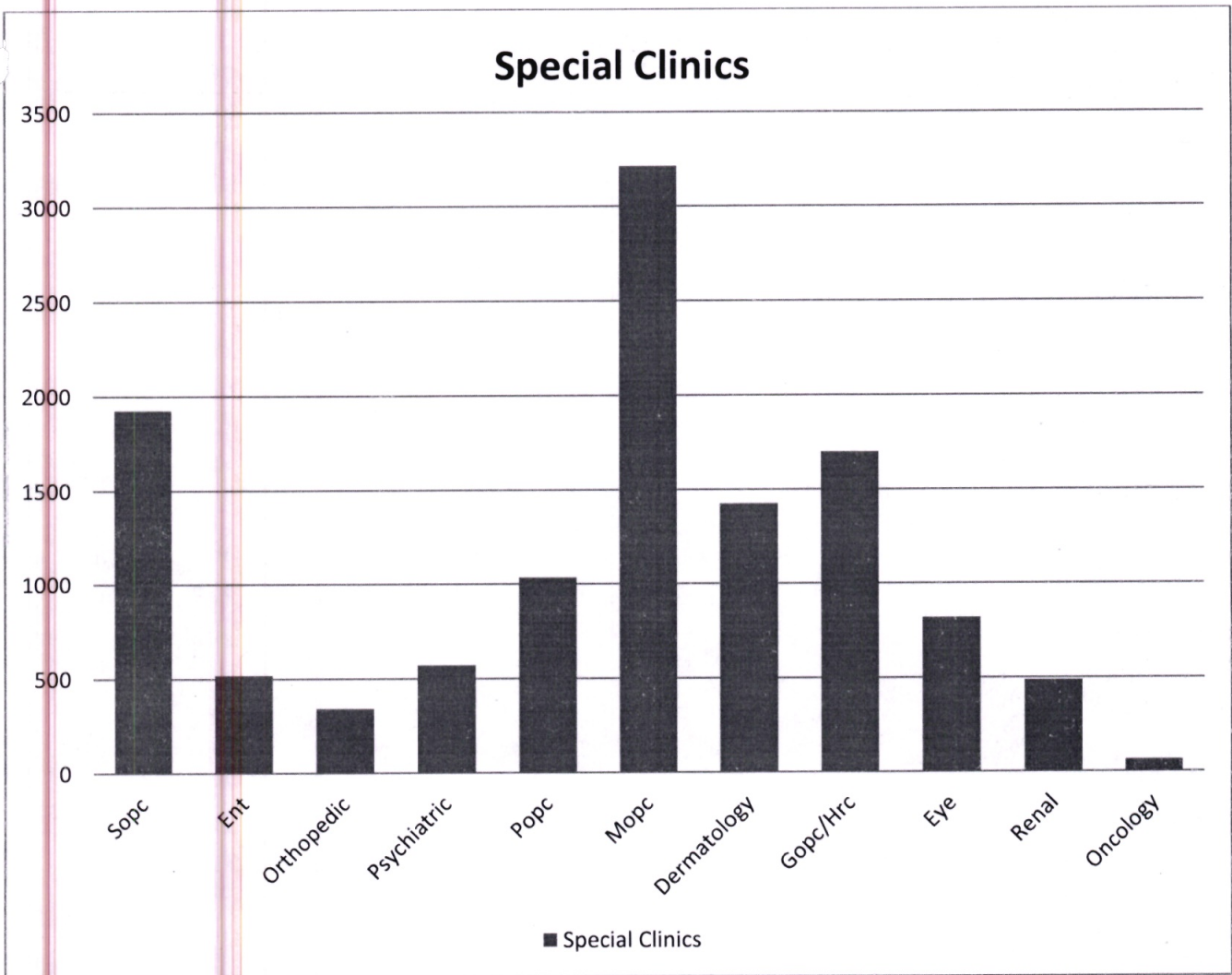
## **9. Management Discussion and Analysis**

### **Clinical/operational performance**

- Bed capacity of the hospital-247
- Overall patient attendance during the year for both inpatient-6,886 and outpatient-45,708
- Specialised clinic attendance- 12,096

### **Specialized clinics attendances is as follows**

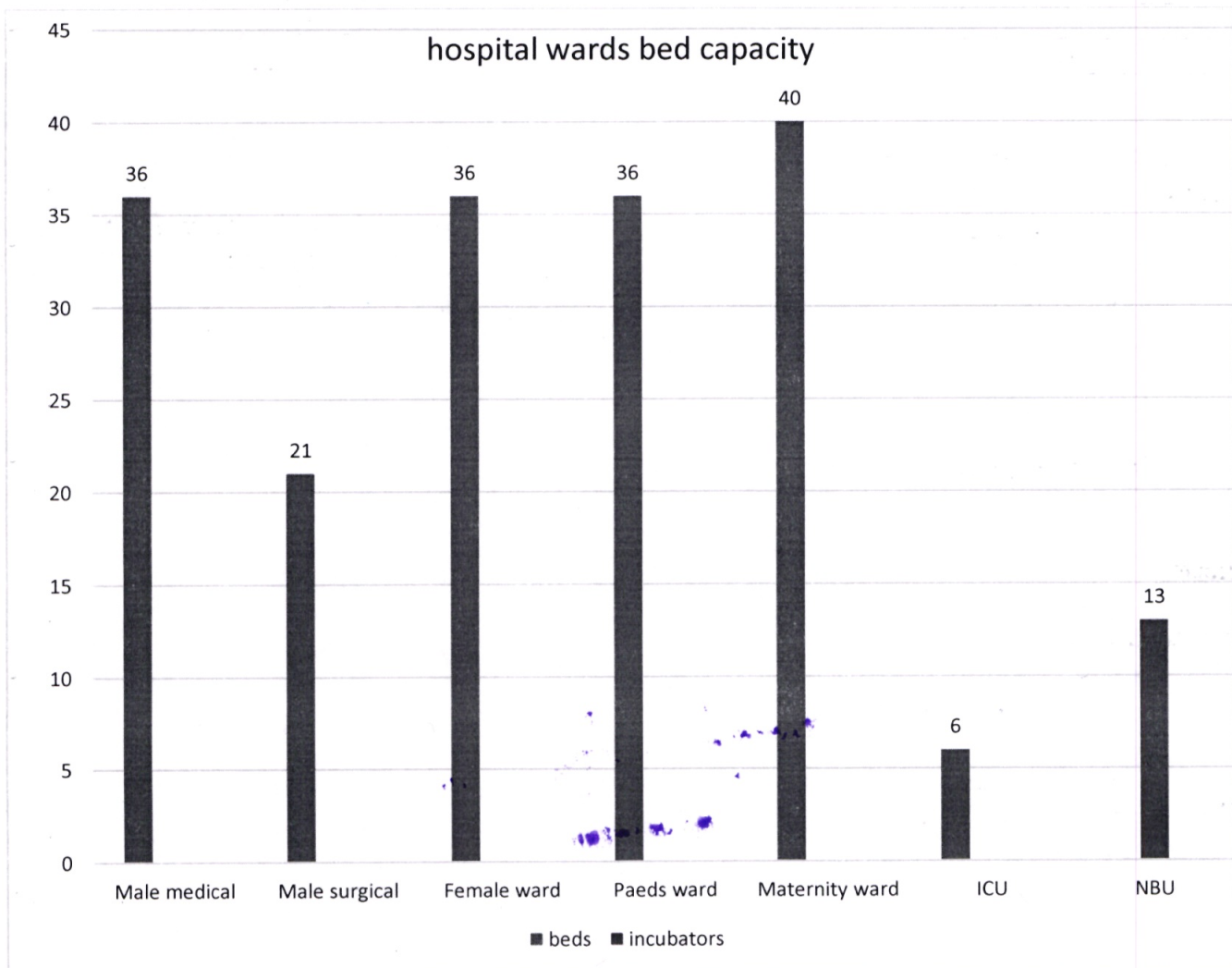
1. Sopc- 1,924
2. Ent- 518
3. Orthopadic- 342
4. Psychiatric- 571
5. Popc- 1034
6. Mopc-3213
7. Dermatology-1425
8. Gopc/Hrc-1698
9. Eye-818
10. Renal – 488
11. Oncology- 65



**Msambweni County Referral Hospital (Kwale County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023**

- Average length of stay for in patient- 6 days
- Bed occupancy rate 92%
- Mortality rate- 14%
- Surgical theatre utilisation (number of operations over a period of time) – 1,381
- Sponsorships and partnerships;
  - Stawisha Pwani
  - National Government
  - Equity Bank
  - Base Titanium
  - Kemsu

The facility has bed capacity of as per the below charts and the management is working well with the county focal persons to ensure the hospital increases its capacity through more structures for the better services



**Msambweni County Referral Hospital (Kwale County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023**

Overall patient attendance for the financial year 2022-2023 for both outpatient and inpatient were 45,708 and 6,886 respectively, these totals are for female, male, under five years, over five years, sixty plus age.

For the same year the facility emerged to conduct specialised clinics totalling to 12,096.

Overall patient attendance during the year for both inpatient and out patient


<b>OUTPATIENT ATTENDANCE</b>	<b>NUMBERS</b>
Under 5years Female	7,228
Under 5years Male	8,072
Over 5years Female	15,410
Over 5years Male	11,526
60+ years	3,472
<b>TOTALS</b>	<b>45,708</b>
<b>INPATIENT ATTENDANCE</b>	
Admissions Under 5years	902
Admissions Over 5years	5,984
<b>TOTALS</b>	<b>6,886</b>
Specialised clinics	12,096

Financial performance that includes Revenue

- In the year ended 30<sup>th</sup> June 2023, the hospital received receipts in form of transfers from the County Government of KShs. 2,745,932 and In kind contributions from the County Government of Khs 494,782,720.
- **b) Payments**
- The total expenditure for the year amounted to KShs. 486,715,566.

Director

Signature .....



Name: .....

Secretary to the Board

**DIRECTOR**  
**MSAMBWENI COUNTY REFERRAL HOSPITAL**  
**P.O. Box 8 - 80404**  
**MSAMBWENI**

## **10. Environmental And Sustainability Reporting**

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

Msambweni County Referral 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.

Typically, facilities managers are expected to oversee a range of services, including but not limited to:

- Setting up and organizing routine upkeep and building repairs.
- Dealing with legal or contractual issues (with clients and outside vendors).
- Offering clients the proper amenities and equipment.
- Complying with regulations on health and safety.
- Utilizing space management to make sure residents are content and secure.
- Ensuring the safety of the area.

The hospital has made its effort by and is in the process of installing a reverse osmosis plant at the facility.

Her Excellency Governor Fatuma Achani ensures health facilities in Kwale County receives enough resources for smooth delivering of services to Msambweni residents and its environs being a referral hospital.

Political instability is the situation where most facilities are not working well due external forces from politicians, there may be a situation where a politician's pushes can push a waiver where it does not apply

**ii) Environmental performance**

The hospital has engaged in planting trees and flowers around the hospital which prevents soil erosion.

Ensures hospital operations are in compliance with environmental laws and regulation with regards to disposal of medical wastes and endeavour to encourage environmental conservation with the hospital and its environs.

The management has functional incinerator at the facility to curb environment pollutions.

**iii) Employee welfare**

The process of employment is has been guided by the Act, employment is being based on gender based and free and fair selection.

The management has a policy of training its employees when there is a need for that and sent them to refresher courses,

Staffs are being appraised as part of policy of the facility which makes employees to see themselves as part of the organisation.

The facility is complying with the Act Of 2007 (OSHA)

**iv) Market place practices-**

We ensure the market is free from irregularities, through that the hospital management is working hard to ensure make fare on that

The organisation should outline its efforts to:

**a) Responsible competition practice.**

Among the core value of the facility is that, we should keep the environment free from corruption, and any person involved in corruption issues, legal actions should take against that person.

**b) *Responsible Supply chain and supplier relations***

The facility ensures there are fare selection of bidders at the time of purchasing goods, and services and also ensures payment are paid promptly and accordingly to make suppliers see themselves as part of the organisation

**c) *Responsible marketing and advertisement***

We care about the competitors in the market and there is high level of positive ethical issues within the hospital, for that we appreciate the management

**d) Product stewardship**

We safeguard consumers' rights; our consumers are mostly patients and we ensure most of the time great care is taken on them.

**v) Corporate Social Responsibility / Community Engagements**

The hospital carried the following social responsibility during the year;

1. Healthcare, The hospital carries out outreaches to community so has to get more children to be immunized. Reaching out to patient in their homes to do physiotherapy
2. Education- The public health officers reaching out to communities and educate them on the importance of having toilets, importance washing hands, importance of maintaining cleanliness while selling street foods, providing information to the public for any infectious disease.
3. Environment-The hospital has engaged in planting trees and flowers around the hospital which prevents soil erosion.
4. Staff training and development, the hospital has a lot of training programmes through seminars, cmes.
5. The hospital provides health workers with study leaves which help them to increase knowledge.
6. Water and sanitation initiatives-The hospital has involved itself in providing clean water through the installation of clean water tanks for patients to use.
7. **Waiver**  
There are some patients at the hospital with financial constraints that cannot pay for their hospital bills, and then this is done in order to allow many citizens accessing health facilities.
8. **Under five years**  
The hospital decided free of charge services for the under five years of age so as to enable each child get treatment without any challenges.

**Impact of CSR To The Society**

1. The community has adopted the culture of building toilets in every household.
2. Through staff training and development the hospital has witnessed the growth of qualified staff thus enhancing patient's confidence.
3. The community has secured jobs in the hospital and these jobs have improved their standards of living through the salaries earned.



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

The Board members submit their report together with the Audited Financial Statements for the year ended June 30, 2023, which show the state of the hospital's affairs.

### **Principal activities**

The principal activities of the entity are

- Health caring
- Consultation services
- Curative services

### **Results**

The results of the entity for the year ended June 30 2023 are set out on pages 1 to 7

### **Board of Management**

The members of the Board who served during the year are shown on page xiii. During the year nil director(s) retired/ resigned, and nine directors were appointed with effect from 2<sup>nd</sup> May 2023.

### **Auditors**

The Auditor General is responsible for the statutory audit of the Msambweni County Referral Hospital in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.  
By Order of the Board

.....  
Name : *FRANCIS*  
Secretary to the Board

*NOV 2023*  
**DIRECTOR**  
**MSAMBWENI COUNTY REFERRAL HOSPITAL**  
**P.O. Box 8-80404**  
**MSAMBWENI**

## 12. Statement of Board of Management's Responsibilities

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

The Board of Management is responsible for the preparation and presentation of the hospital's financial statements, which give a true and fair view of the state of affairs of the hospital for and as at the end of the financial year (period) ended on June 30, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the hospital; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

The Board of Management accepts responsibility for the hospital's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (– entities should quote applicable legislation as indicated under). The Board members are of the opinion that the hospital's financial statements give a true and fair view of the state of hospital's transactions during the financial year ended June 30, 2023, and of the hospital's financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the hospital, which have been relied upon in the preparation of the hospital's financial statements as well as the adequacy of the systems of internal financial control.

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

### Approval of the financial statements

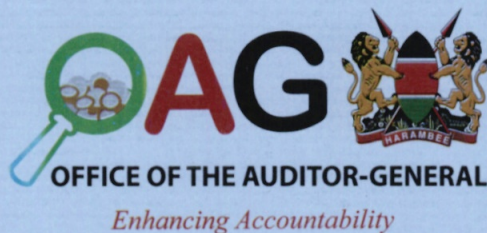
The Hospital's financial statements were approved by the Board on 24/6/2024 and signed on its behalf by:

.....  
Name: HUSSEIN DUNDA  
Chairperson  
Board of Management

.....  
Name: FRANCOIS  
Accounting Officer

**DIRECTOR**  
**MSAMBWENI COUNTY REFERRAL HOSPITAL**  
P. O. Box 8 - 80404  
**MSAMBWENI**

# 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 MSAMBWENI COUNTY REFERRAL HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2023 – COUNTY GOVERNMENT OF KWALE

---

### 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 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 purposes.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has 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 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 Msambweni County Referral Hospital - County Government of Kwale set out on pages 1 to 55 which comprise of the

---

*Report of the Auditor-General on Msambweni County Referral Hospital for the year ended 30 June, 2023 – County Government of Kwale*

statement of financial position as at 30 June, 2023 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 Msambweni County Referral Hospital – County Government of Kwale as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, the County Government Act, 2012 and Health Act, 2017.

## **Basis for Qualified Opinion**

### **1. Inaccuracies in the Financial Statements**

The statement of financial position reflects Kshs.Nil comparable total assets. However, review of the previous years audited financial statements reflects comparable total assets balance of Kshs.833,353. Further, the statement of financial position reflects property, plant and equipment balance of Kshs.11,642,885 as disclosed in Note 31 to the financial statements. However, the balance does not include hospital's property, plant and equipment of undetermined value comprising land, buildings, motor vehicles and other specialized equipment.

In the circumstances, the accuracy and completeness of balances in the financial statements for the year ended 30 June, 2023 could not be confirmed.

### **2. Unconfirmed Inventory Balance**

The statements of financial position reflect Kshs.Nil inventory balance as disclosed in Note 30 to the financial statements. However, there was no evidence of conducting the annual stock take to confirm the quantities, value and status of closing inventory balances as at the end of the year.

In the circumstances, the accuracy, completeness and valuation of Kshs.Nil inventory balance could not be confirmed.

### **3. Variances in Receivables from Exchange Transactions**

The statement of financial position reflects receivables from exchange transactions balance of Kshs.Nil as disclosed in Note 29 to the financial statements. The amount relates to dues from the National Health Insurance Fund (NHIF) whose records indicate

a balance of Kshs.18,256,650 resulting to an unexplained variance of Kshs.18,256,650. Further, the amount has been outstanding for more than twelve (12) months while the contract between the Hospital and NHIF indicates the period to pay genuine claims is within 30 days of submission.

In the circumstances, the accuracy, completeness and recoverability of the trade receivables balance from exchange transactions of Kshs.Nil amounts could not be confirmed.

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

### **Key Audit Matters**

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

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

### **Conclusion**

As required by Article 229(6) of the Constitution, and 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. Deficiencies in Implementation of Universal Health Coverage (UHC)**

Review of Hospital records and interviews on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits by 89 staff requirements or 48% of the authorized establishment.

<b>Staff Requirements</b>	<b>Level 5 Standard</b>	<b>Number in Hospital</b>	<b>Variance</b>	<b>Percentage %</b>
Medical officers	50	29	21	58
Anesthesiologists	6	0	6	100
General surgeons	4	3	1	75
Gynecologists	4	3	1	75
Pediatrics	4	2	2	50
Radiologists	4	1	3	25
Kenya Registered Community Health Nurses	10	45	55	45
<b>Total</b>	<b>172</b>	<b>83</b>	<b>89</b>	<b>48</b>

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

<b>Service</b>	<b>Level 5 Hospital Standard</b>	<b>Actuals In the Hospital</b>	<b>Variance</b>	<b>Percentage %</b>
Beds	50	218	282	43.6
Resuscitaire (2 in Labor & 1 in Theatre)	2	0	2	100
New Born Unit Incubators	10	7	3	70
New Born Unit Cots	7	6	1	85.7
Functional ICU Beds	12	6	6	50
High Dependency Unit (HDU) Beds	12	3	9	25
Renal Unit With at Least 5 Dialysis Machines	5	6	-1	120
Two Functional Operational Theatres- Maternity & General	7	2	5	28.9

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

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

## **2. Staff Under Establishment**

Review of records and analysis of healthcare staffing revealed that the hospital did have in place 280 staff against the staff establishment requirement of 835 staff leading to a shortage of 555 staff as at 30 June, 2023.

In the circumstances, the effectiveness on service delivery at Msambweni County Referral Hospital could not be confirmed.

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 internal controls, risk management and governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

#### **1. Revenue Collection System**

The Hospital implemented a point-of-sale system for revenue collection with payments being made through Mpesa Pay-bill. However, the daily and monthly revenue reports were not generated using Integrated Hospital Information Management System. As a result, the revenue billing was not mapped to the hospital tariffs and charges in the Hospital Information Management System which can give a trail for the generation of revenue billing reports so as to establish the revenue earned.

In the circumstances, the effectiveness of internal controls designed in the revenue collection could not be confirmed.

#### **2. Failure to Maintain Fixed Assets Register**

The statement of financial position reflects balances of Kshs.11,642,885 in respect to property, plant and equipment as disclosed in Note 31 to the financial statements. However, it was noted that the Hospital does not maintain fixed assets register to control its assets. This is contrary to Regulation 136(1) of the Public Finance Management (County Government) Regulations, 2015 which states that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws. In addition, there was no evidence to show that the fund has ever evaluated its assets to ascertain the correct market values.

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

### **3. Lack of Information Communication Technology (ICT) and Risk Management Policies**

During the year under review, there was no approved Risk Management Policy and Information Communication Technology (ICT) policies.

In the circumstances, the effectiveness of internal controls built around having an ICT and risk management policy could not be confirmed.

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 processes and systems of internal controls, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **Responsibilities of Management and the Board of Management**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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 control, risk management and governance.

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

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

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

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



and risk management, and ensuring the adequacy and effectiveness of the control environment.

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

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal controls 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 judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of 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 the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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

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

**Nairobi**

**12 June, 2024**

*Msambweni County Referral Hospital (Kwale County Government)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023*

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

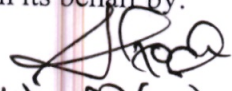
Description	Note	F/Y 2022/2023	F/Y 2021/2022
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from the County Government	6	2,745,932	2,973,000
In-kind contributions from the County Government	7	494,782,720	436,565,136
Grants from donors and development partners	8	-	-
Transfers from other Government entities	9	-	-
Public contributions and donations	10	-	-
		-	-
<b>Revenue from exchange transactions</b>			
Rendering of services- Medical Service Income	11	-	-
Revenue from rent of facilities	12	-	-
Finance /Interest Income	13	-	-
Miscellaneous Income	14	-	-
<b>Revenue from exchange transactions</b>		-	-
<b>Total revenue</b>		<b>497,528,652</b>	<b>439,538,136</b>
<b>Expenses</b>			
Medical/Clinical costs	15	102,482,058	80,886,291
Employee costs	16	365,302,792	333,002,269
Board of Management Expenses	17	74,500	467,500
Depreciation and amortization expense	18	1,424,321	92,200
Repairs and maintenance	19	2,152,738	4,174,256
Grants and subsidies	20	-	-
General expenses	21	15,279,157	15,744,293
Finance costs	22	-	-
<b>Total expenses</b>		<b>486,715,566</b>	<b>434,366,809</b>
<b>Other gains/(losses)</b>			
Gain/Loss on disposal of non-Current assets	23	-	-


**Msambweni County Referral Hospital (Kwale County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023**

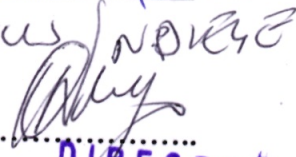
	2022/2023	2021/2022	2020/2021
Unrealized gain on fair value of investments	24	-	-
Medical services contracts Gains/Losses	25	-	-
Impairment loss	26	-	-
Gain on foreign exchange transactions		-	-
<b>Total other gains/(losses)</b>		-	-
<b>Net Surplus / (Deficit) for the year</b>		<b>10,813,086</b>	<b>833,353</b>

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

The Hospital's financial statements were approved by the Board on 24/4/2024 and signed on its behalf by:

  
 .....  
 Chairman

HALIMA N. NGOME   
 .....  
 Head of Finance

FEARUS NDIRE   
 .....  
 Hospital Director

Board of Management

ICPAK No:

**DIRECTOR**  
**MSAMBWENI COUNTY REFERRAL HOSPITAL**  
 P. O. Box 8-80404  
**MSAMBWENI**

*Msambweni County Referral Hospital (Kwale County Government)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023*

**15. Statement of Financial Position As At 30<sup>th</sup> June 2023**

Description	2022/2023		
	Notes	KShs	
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	27	-	3557
Receivables from exchange transactions	33	-	-
Receivable from non-exchange transactions		-	-
Inventories		-	-
<b>Total Current Assets</b>		-	-
<b>Non-current Assets</b>			
Property, plant, and equipment		11,642,885	829,796
Intangible assets			
Investment property			
<b>Total Non-current Assets</b>		11,642,885	
<b>Total assets</b>		11,642,885	
<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	-	-
Social Benefits	41	-	-
<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	-	-
Social Benefits	41	-	-

**Msambweni County Referral Hospital (Kwale County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023**

<b>Total Non-current liabilities</b>	-	-
<b>Total Liabilities</b>	-	-
<b>Net assets</b>		
Reserve-surplus/ Deficit previous year	833,353	-
Accumulated surplus/Deficit	10,813,086	833,353
Capital Fund	-	-
Total Net Assets	11,646,439	-
<b>Total Net Assets and Liabilities</b>	11,646,439	<b>833,353</b>

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

The Hospital's financial statements were approved by the Board on 24/4/2024 and signed on its behalf by:

*[Signature]*  
**HAUSEN NGUNGAH**  
 Chairman  
 Board of Management

*[Signature]*  
**HALIMA M. NGOME**  
 Head of Finance  
 ICPAK No:

*[Signature]*  
**FRANCIS NOLEGE**  
 Hospital Director  
**DIRECTOR**  
**MSAMBWENI COUNTY REFERRAL HOSPITAL**  
 P.O. Box 8-80404  
**MSAMBWENI**

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

Description	Revaluation change	Accumulated surplus/Deficit	Capital Fund	
<b>As at July 1, 2023 (previous year)</b>	-	-	-	-
Revaluation gain	-	833,353	-	-
Surplus/(deficit) for the year	-	-	-	-
Capital/Development grants	-	-	-	-
<b>As at June 30, 2022 (previous year)</b>	-	<b>833,353</b>	-	-
<b>At July 1, 2023 (current year)</b>	-	<b>833,353</b>	-	-
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	10,813,086	-	-
Capital/Development grants	-	-	-	-
<b>At June 30, 2023 (current year)</b>	-	<b>11,646,439</b>	-	-

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

Description	Note	F/Y 2022/2023 Kshs	F/Y 2021/2022 Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the County Government		2,745,932	2,973,000
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		-	-
Miscellaneous receipts( <i>specify</i> )		-	-
<b>Total Receipts</b>		<b>2,745,932</b>	<b>2,973,000</b>
<b>Payments</b>			
Medical/Clinical costs		301,852	-
Employee costs		-	-
Board of Management Expenses		74,500	(467,500)
Repairs and maintenance		346,872	-
Grants and subsidies		-	-
General expenses		2,022,708	-
Finance costs		-	-
Refunds paid out		-	-
<b>Total Payments</b>		<b>2,745,932</b>	<b>-</b>
<b>Net cash flows from operating activities</b>	42	<b>-</b>	<b>925,553</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment & intangible assets		(-)	(-)
Proceeds from the sale of property, plant, and equipment		-	-
Acquisition of investments		(-)	(-)
<b>Net cash flows used in investing activities</b>		<b>(-)</b>	<b>(-)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	-
Repayment of borrowings		(-)	(-)
Capital grants received		-	-



*Msambweni County Referral Hospital (Kwale County Government)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023*

---

<b>Net cash flows used in financing activities</b>		(-)	(-)
<b>Net increase/(decrease) in cash and cash equivalents</b>		-	(-)
Cash and cash equivalents as at 1 July	27	-	-
<b>Cash and cash equivalents as at 30 June</b>	27	-	-

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

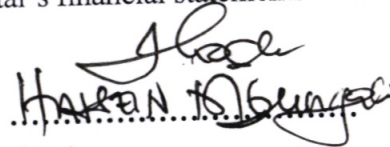
Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
<b>Revenue</b>						
Transfers from the County Government	63,460,000	10,148,525	73,608,525	60,671,228	-	82%
In kind contributions from the County Government	-	-	-	71,554,632		
Grants from donors and development partners	-	-	-	-	-	%
Transfers from other Government entities	365,302,792	-	365,302,792	365,302,792	-	100%
Public contributions and donations	-	-	-	-	-	%
Rendering of services- Medical Service Income	-	-	-	-	-	%
Revenue from rent of facilities	-	-	-	-	-	%
Finance / interest income	-	-	-	-	-	%
Miscellaneous receipts ( <i>specify</i> )	-	-	-	-	-	%
<b>Total income</b>	<b>428,762,792</b>	<b>10,148,525</b>	<b>438,911,317</b>	<b>497,528,652</b>	-	<b>97%</b>
<b>Expenses</b>						
Medical/Clinical costs	32,100,000	1,745,500	33,845,500	102,482,058	-	91%
Employee costs	365,302,792	-	365,302,792	365,302,792	-	100%
Remuneration of directors	300,000	-	300,000	74,500	-	25%
Repairs and maintenance	7,100,000	(1,855,000)	5,245,000	2,152,738	-	45%
Grants and subsidies	-	-	-	-	-	%
General expenses	21,460,000	265,142	21,725,142	15,279,157	-	67%
Finance costs	-	-	-	-	-	%
Depreciation	-	-	-	1,424,321	-	%
<b>Total expenditure</b>	<b>426,262,792</b>	<b>155,642</b>	<b>426,418,434</b>	<b>486,715,566</b>	-	<b>97%</b>
<b>Surplus for the period</b>	<b>2,500,000</b>	<b>9,992,883</b>	<b>12,492,883</b>	<b>10,813,086</b>	-	<b>%</b>

*Msambweni County Referral Hospital (Kwale County Government)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023*

**Budget notes**

1. Medical costs comprises of pharmaceutical products whose budget and purchases are centrally at the health administration of Kshs. 71,554,632

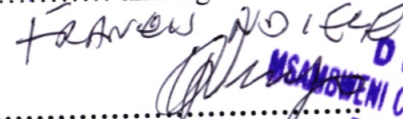
The Hospital's financial statements were approved by the Board on 24/4/2024 and signed on its behalf by:



Chairman  
Board of Management

HAKIMA M. NGOME  


Head of Finance  
ICPAK

FRANCOIS NOISE  


Hospital Director

**DIRECTOR**  
**MSAMBWENI COUNTY REFERRAL HOSPITAL**  
**P.O. Box 8-80404**  
**MSAMBWENI**

## **19. Notes to the Financial Statements**

### **1. General Information**

Msambweni County Referral Hospital entity is established by and derives its authority and accountability from Public Finance Management Act. The entity is wholly owned by the Kwale County Government and is domiciled in Kwale County in Kenya. The entity's principal activity is to Offer Quality healthcare services for the Kwale County Government community and beyond

### **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 hospital's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Hospital. The financial statements have been prepared in accordance with the PFM Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

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

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

Standard	Effective date and impact
<p><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><i>(State the impact of the standard to the Entity if relevant)</i></p>
<p><b>IPSAS 42: Social Benefits</b></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> <ul 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;</li> </ul>

Standard	Effective date and impact
	<p>and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> 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> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
<p>Other improvements to IPSAS</p>	<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>• <i>IPSAS 29: Financial instruments: Recognition and Measurement</i></li> </ul> <p>Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</p> <p><i>State the impact of the standard to the Entity if relevant</i></p>

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

**Msambweni County Referral Hospital (Kwale County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023**

Standard	Effective date and impact
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 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><b>State the expected impact of the standard to the Entity if relevant</b></p>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The Standard requires:-</p> <ol style="list-style-type: none"> <li>i. 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:</li> <li>ii. 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.</li> </ol> <p><b>State the expected impact of the standard to the Entity if relevant</b></p>

**iii) Early adoption of standards**

The Entity did not early – adopt any new or amended standards in the financial year

#### **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 hospital and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the asset that has been acquired using such funds.

##### **ii) Revenue from exchange transactions**

##### **Rendering of services**

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

##### **Sale of goods**

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

##### **Interest income**

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

##### **Rental income**

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



**b. Budget information**

The original budget for FY 2022/2023 was approved by County Assembly on **1st July 2022**. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations on the FY 2022/2023 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 on page *1-2* under section *14* of these financial statements.

**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 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.

**f. Leases**

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

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

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

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

**g. Intangible assets**

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

**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**

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (amend as appropriate).*

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

## **Financial assets**

### **Classification of financial assets**

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

### **Subsequent measurement**

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

### **Amortized cost**

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

#### **Fair value through net assets/ equity**

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

#### **Fair value through surplus or deficit**

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

#### **Trade and other receivables**

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

#### **Impairment**

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

#### **Financial liabilities**

##### **Classification**

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

**j. Inventories**

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

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

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

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

**k. Provisions**

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

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

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

**l. Social Benefits**

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

**m. Contingent liabilities**

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

**n. Contingent assets**

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

**o. Nature and purpose of reserves**

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

**p. Changes in accounting policies and estimates**

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



**q. Employee benefits**

**Retirement benefit plans**

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

**r. Foreign currency transactions**

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

**s. Borrowing costs**

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

**t. Related parties**

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

**u. Service concession arrangements**

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

**v. Cash and cash equivalents**

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

**w. Comparative figures**

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

**x. Subsequent events**

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

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

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

### **Estimates and assumptions.**

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

### **Useful lives and residual values**

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

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

### **Provisions**

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

**Notes to Financial Statements Continued**

**6. Transfers from the County Government**

Description	FY 2022/2023 KShs	FY 2021/2022 KShs
<b>Unconditional grants</b>		
Operational grant	-	-
Level 5 grants	-	-
Unconditional development grants	-	-
Other grants	-	-
<b>Transfers from The County Government</b>	<b>2,745,932</b>	<b>2,973,000</b>
<b>Conditional grants</b>		
User fee forgone	-	-
Transforming health services for Universal care project (THUCP)	-	-
DANIDA	-	-
Wards Development grant	-	-
Paediatric block grant	-	-
Administration block grant	-	-
Laboratory grant	-	-
<b>Total government grants and subsidies</b>	<b>2,745,932</b>	<b>2,973,000</b>

**6 b Transfers from The County Government**

Name of the Entity sending the grant	Amount recognized to Statement of financial performance KShs	Amount deferred of under deferred income KShs	Amount recognised in capital fund KShs	Total grant income during the 2021/2022 year KShs	Total grant income during the 2022/2023 year KShs
Kwale County Government	2,745,932	-	-	<b>Kshs</b> 2,973,000	
<b>Total</b>	<b>2,745,932</b>	<b>-</b>	<b>-</b>	<b>2,745,932</b>	<b>2,973,000</b>

**Msambweni County Referral Hospital (Kwale County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023**

**Notes to Financial Statements Continued**

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

Description	F/Y 2022/2023	F/Y 2021/2022
	KShs	KShs
Salaries and wages	365,302,792	333,002,269
Medical supplies-Drawings Rights (KEMSA)	-	-
Pharmaceuticals and Non-Pharmaceutical Supplies (other suppliers)	71,554,632	45,714,815
Utility bills –Electronic Payments	57,925,296	57,848,052
<b>Total grants in kind</b>	<b>494,782,720</b>	<b>436,565,136</b>

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

Description	F/Y 2022/2023	F/Y 2021/2022
	KShs	KShs
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>	<b>-</b>	<b>-</b>

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

Name of the Entity sending the grant	Amount recognized to Statement of financial performance	Amount deferred under deferred income	Amount recognised in capital fund	Total grant income during the year	F/Y 2021/2022
	KShs	KShs	KShs	KShs	KShs
Donor e.g., DANIDA	-	-	-	-	-
JICA	-	-	-	-	-
World Bank	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Notes to Financial Statements Continued**

**9. Transfers From Other Government Entities**

Description	FY 2022/2023	FY 2021/2022
	KShs	KShs
Transfer from National Government (Ministry of Health)	-	-
Transfer from National Hospital	-	-
Transfer from Institute	-	-
<b>Total Transfers</b>	<b>-</b>	<b>-</b>

**10. Public Contributions and Donations**

Description	FY 2022/2023	FY 2021/2022
	KShs	KShs
Public donations	-	-
Donations from local leadership	-	-
Donations from religious institutions	-	-
Donations from other international organisations and individuals	-	-
Other donations( <i>specify</i> )	-	-
Donations in kind-amortised	-	-
<b>Total donations and sponsorships</b>	<b>-</b>	<b>-</b>

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

Description	FY 2022/2023	FY 2021/2022
	KShs	KShs
<b>Balance unspent at beginning of year</b>	<b>-</b>	<b>-</b>
Current year receipts	-	-
Amortised and transferred to revenue	-	-
<b>Conditions to be met – remain liabilities</b>	<b>-</b>	<b>-</b>

*Msambweni County Referral Hospital (Kwale County Government)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023*

**Notes to Financial Statements Continued**

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

Description	WY 2022/2023	WY 2021/2022
	Kshs	Kshs
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 ( <i>specify</i> )	-	-
<b>Total revenue from the rendering of services</b>	-	-

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

**12. Revenue From Rent of Facilities**

Description	FY 2022/2023	FY 2021/2022
	KShs	KShs
Residential property	-	-
Commercial property	-	-
<b>Total Revenue from rent of facilities</b>	-	-

**13. Finance /Interest Income**

Description	FY 2022/2023	FY 2021/2022
	KShs	KShs
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. Miscellaneous Income**

Description	FY 2022/2023	FY 2021/2022
	KShs	KShs
Insurance recoveries	-	-
Income from sale of tender	-	-
Services concession income	-	-
Sale of goods (water, publications, containers etc)	-	-
Write backs (Deposits, payments in advance etc)	-	-
Bad debts recovered	-	-
<i>Others (Specify)</i>	-	-
<b>Total Miscellaneous income</b>	-	-



**Msambweni County Referral Hospital (Kwale County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023**

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

**15. Medical/ Clinical Costs**

Description	FY 2021/2022	
	Kshs	
Dental costs/ materials	-	-
Laboratory chemicals and reagents	668,917	1,124,739
Public health activities	-	-
Food and Ration	17,753,492	13,771,676
Uniform, clothing, and linen	745,420	672,100
Dressing and Non-Pharmaceuticals	5,968,895	6,395,409
Pharmaceutical supplies	71,554,632	-
Health information stationery	-	-
Reproductive health materials	-	-
Sanitary and cleansing Materials	3,727,802	4,337,552
Purchase of Medical gases	2,062,900	8,250,000
X-Ray/Radiology supplies		620,000
Other medical related clinical costs ( <i>specify</i> )	-	45,714,815
<b>Total medical/ clinical costs</b>	<b>102,482,058</b>	<b>80,886,291</b>

**16. Employee Costs**

Description	FY 2022/2023	
	Kshs	
Salaries, wages, and allowances	365,302,792	333,002,269
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>365,302,792</b>	<b>333,002,269</b>

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

**17. Board of Management Expenses**

Description	FY 2022/2023	
	Kshs	Kshs
Chairman's Honoraria	-	-
Sitting allowance	74,500	467,500
Mileage	-	-
Insurance expenses	-	-
Induction and training	-	-
Travel and accommodation allowance	-	-
Airtime allowances	-	-
<b>Total</b>	<b>74,500</b>	<b>467,500</b>

**18. Depreciation and Amortization Expense**

Description	FY 2022/2023	
	Kshs	Kshs
Property, plant and equipment	1,424,321	92,200
Intangible assets	-	-
Investment property carried at cost	-	-
<b>Total depreciation and amortization</b>	<b>1,424,321</b>	<b>92,200</b>

**19. Repairs And Maintenance**

Description	FY 2022/2023	
	Kshs	Kshs
Property- Buildings	1,627,244	3,577,059
Medical equipment	280,954	-
Office equipment	-	-
Furniture and fittings	105,877	230,000
Computers and accessories	-	-
Motor vehicle expenses	138,662	367,197
Maintenance of civil works	-	-
<b>Total repairs and maintenance</b>	<b>2,152,738</b>	<b>4,174,256</b>

***Msambweni County Referral Hospital (Kwale County Government)***  
***Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023***

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

**20. Grants And Subsidies**

Description	F/Y 2022/2023 Kshs	F/Y 2021/2022 Kshs
Community development and social work	-	-
Education initiatives and programs	-	-
Free/ subsidised medical camp	-	-
Disability programs	-	-
Free cancer screening	-	-
Social benefit expenses	-	-
Other grants and subsidies( <i>specify</i> )	-	-
<b>Total grants and subsidies</b>	-	-

**21. General Expenses**

Description	F/Y 2022/2023 Kshs	F/Y 2021/2022 Kshs
Advertising and publicity expenses	-	-
Catering expenses	589,705	162,185
Waste management expenses	-	-
Insecticides and rodenticides	-	492,000
Audit fees	-	-
Bank charges	77,197	19,488
Conferences and delegations	-	-
Consultancy fees	-	-
Contracted services	-	-
Electricity expenses	-	-
Fuel and Lubricants	7,369,638	-
Insurance	-	-
Research and development expenses	-	-
Travel and accommodation allowance	1,217,612	1,055,880
Legal expenses	-	-
Licenses and permits	-	-
Courier and postal services	12,514	5360
Printing and stationery	4,496,396	1191423
Hire charges	-	-
Rent expenses	-	-
Water and sewerage costs	1,201,797	1436500
Skills development levies	-	-
Telephone and mobile phone services	314,298	202399
Internet expenses	-	-

**Msambweni County Referral Hospital (Kwale County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023**

Description	FY 2022/2023	FY 2021/2022
	KShs	KShs
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>15,279,157</b>	<b>15,744,293</b>

**22. Finance Costs**

Description	FY 2022/2023	FY 2021/2022
	KShs	KShs
Borrowings (amortized cost) *	-	-
Finance leases (amortized cost)	-	-
Interest on Bank overdrafts/Guarantees	-	-
Interest on loans from commercial banks	-	-
<b>Total finance costs</b>	<b>-</b>	<b>-</b>

**23. Gain/Loss on Disposal of Non-Current Assets**

Description	FY 2022/2023	FY 2021/2022
	KShs	KShs
Property, plant, and equipment	-	-
Intangible assets	-	-
Other assets not capitalised ( <i>specify</i> )	-	-
<b>Total gain on sale of assets</b>	<b>-</b>	<b>-</b>

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

Description	FY 2022/2023	FY 2021/2022
	KShs	KShs
Investments at fair value	-	-
<b>Total gain</b>	<b>-</b>	<b>-</b>

**Msambweni County Referral Hospital (Kwale County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023**

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

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

Description	FY 2022/2023 KShs	FY 2021/2022 KShs
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**

Description	FY 2022/2023 KShs	FY 2021/2022 KShs
Property, plant, and equipment	-	-
Intangible assets	-	-
<b>Total impairment loss</b>	-	-

**27. Cash And Cash Equivalentents**

Description	FY 2022/2023 KShs	FY 2021/2022 KShs
Current accounts	-	3557
On - call deposits	-	-
Fixed deposits accounts	-	-
Cash in hand	-	-
Others( <i>specify</i> )- Mobile money	-	-
<b>Total cash and cash equivalentents</b>	-	3557

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

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

Description	Account number	KShs	KShs
<b>a) Current account</b>			
Kenya Commercial bank	1147035164	-	3557
Equity Bank, etc		-	-
<b>Sub- total</b>		-	<b>3557</b>
<b>b) On - call deposits</b>			
Kenya Commercial bank		-	-
Equity Bank – etc		-	-
<b>Sub- total</b>		-	-
<b>c) Fixed deposits account</b>			
Bank Name		-	-
<b>Sub- total</b>		-	-
<b>d) Others(specify)</b>			
cash in hand		-	-
Mobile money- Mpesa, Airtel money		-	-
<b>Sub- total</b>		-	-
<b>Grand total</b>		-	<b>3557</b>

**28. Receivables From Exchange Transactions**

Description	KShs	KShs
Medical services receivables	-	-
Rent receivables	-	-
Other exchange debtors	-	-
Less: impairment allowance	(-)	(-)
<b>Total receivables</b>	-	-

**Msambweni County Referral Hospital (Kwale County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023**

**Analysis of Receivables From Exchange Transactions**

Description	FY 2022/2023		FY 2021/2022	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	-	%	-	%
Between 1- 2 years	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
<b>Total (a+b)</b>	-	%	-	%

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

Description	FY 2022/2023		FY 2021/2022	
	KShs	KShs	KShs	KShs
Transfers from the County Government	-	-	-	-
Undisbursed donor funds	-	-	-	-
Other debtors ( <i>non-exchange transactions</i> )	-	-	-	-
Less: impairment allowance	-	-	-	-
<b>Total</b>	-	-	-	-

**Analysis of Receivables From Non-Exchange Transactions**

Description	FY 2022/2023		FY 2021/2022	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	-	%	-	%
Between 1- 2 years	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
<b>Total (a+b)</b>	-	%	-	%

**30. Inventories**

Description	2022/2023	2021/2022
Pharmaceutical supplies	-	-
Maintenance supplies	-	-
Food supplies	-	-
Linen and clothing supplies	-	-
Cleaning materials supplies	-	-
General supplies	-	-
Less: provision for impairment of stocks	(-)	(-)
<b>Total</b>	-	-



*Msambweni County Referral Hospital (Kwale County Government)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023*

*Notes to the Financial Statements (Continued)*

**31. Property, Plant and Equipment**

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
<b>Cost</b>								
At 1 July 2022 (previous year)	-	-	-	829,796	-	-	-	829,796
Additions	-	-	-	-	-	-	-	-
Disposals	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Transfers/adjustments	-	-	-	-	-	-	-	-
<b>At 30<sup>th</sup> Jun 20XX</b>	-	-	-	829,796	-	-	-	829,796
At 1 July 2023 (current year)	-	-	-	829,796	-	-	-	829,796
Additions	-	-	-	10,271,744	392,000	1,297,702	275,964	12,237,410
Disposals	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-
<b>At 30<sup>th</sup> Jun 2023</b>	-	-	-	11,101,540	392,000	1,297,702	275,964	13,067,206
<b>Depreciation and impairment</b>								
At 1 July 2022 (previous year)		-	-	-	-	-	-	-
Depreciation for the year		-	-	1,110,154	156,800	129,770	27,596	1,424,321
Disposals		-	-	-	-	-	-	-
Impairment		(-)	(-)	-	(-)	(-)	(-)	(-)
<b>At 30 June 2023</b>		-	-	<b>1,110,154</b>	156,800	129,770	<b>27,596</b>	<b>1,424,321</b>

*Msambweni County Referral Hospital (Kwale County Government)  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023*

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
At July 2023 (current year)		-	-	-	-	-		-
Depreciation		-	-	-	-	-		-
Disposals		(-)	(-)	(-)	(-)	(-)		-
Impairment		(-)	(-)	(-)	(-)	(-)		(-)
Transfer/adjustment		-	-	-	-	-	-	-
<b>At 30<sup>th</sup> June 2023</b>		-	-	9,991,386	235,200	1,167,932	248,368	11,642,885
				-				
<b>Net book values</b>				11,101,540	392,000	1,297,702	275,964	13,067,206
At 30 <sup>th</sup> Jun 2022 (previous)	-	-	-	829,796	-	-	-	829,796
-	-	-	-	11,101,540	1,297,702	392,000	275,964	13,067,206

**Msambweni County Referral Hospital (Kwale County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023**

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

**32. Intangible Assets-Software**

Description	FY 2021/2022	
	2022/2023	KShs
<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**

Description	Insert Comparative FY	
	2022/2023	KShs
<b>At beginning of the year</b>	-	-
Additions	-	-
Disposals during the year	(-)	(-)
Fair value gain	-	-
Depreciation ( <i>where investment property is at cost</i> )	(-)	(-)
Impairment	(-)	(-)
<b>At end of the year</b>	-	-

**Msambweni County Referral Hospital (Kwale County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023**

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

**34. Trade and other Payables**

Description	FY 2022/2023		Insert Comparative FY	
	KShs		KShs	
Trade payables	12,106,781		-	
Employee dues	-		-	
Third-party payments (e.g. unremitted payroll deductions)	-		-	
Audit fee	-		-	
Doctors' fee	-		-	
<b>Total trade and other payables</b>	<b>12,106,781</b>		<b>-</b>	
<b>Ageing analysis:</b>	<b>Current FY</b>	<b>% of the Total</b>	<b>Compa rative FY</b>	<b>% of the total</b>
Under one year	12,106,781	100%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
<b>Total</b>	<b>12,106,781</b>	<b>%</b>	<b>-</b>	<b>%</b>

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

Description	FY 2022/2023		Insert Comparative FY	
	KShs		KShs	
Medical fees paid in advance	-		-	
Credit facility deposit	-		-	
Rent deposits	-		-	
Others (specify)	-		-	
<b>Total deposits</b>	<b>-</b>		<b>-</b>	
<b>Ageing analysis:</b>	<b>Current FY</b>	<b>% of the Total</b>	<b>Comparative FY</b>	<b>% of the Total</b>
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
<b>Total</b>	<b>-</b>	<b>%</b>	<b>-</b>	<b>%</b>

*Msambweni County Referral Hospital (Kwale County Government)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023*

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

**36. Provisions**

Description	Leave provision KShs	Bonus provision KShs	Other provision KShs	Total KShs
<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**

Description	FY 2022/2023 Kshs	2021/2022 Kshs
Current Lease obligation	-	-
Long term lease obligation	-	-
<b>Total</b>	-	-

**38. Deferred Income**

Description	FY 2022/2023 KShs	Insert Comparative FY KShs
Current Portion	-	-
Non-Current Portion	-	-
<b>Total</b>	-	-

**Msambweni County Referral Hospital (Kwale County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023**

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

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

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

**39. Borrowings**

Description	FY 2022/2023 KShs	Insert Comparative FY KShs
<b>Balance at beginning of the period</b>	-	-
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the year	(-)	(-)
Repayments of domestic borrowings during the year	(-)	(-)
<b>Balance at end of the period</b>	-	-

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

Description	FY 2022/2023 KShs	Insert Comparative FY KShs
Current Obligation	-	-
Non-Current Obligation	-	-
<b>Total</b>	-	-

***Msambweni County Referral Hospital (Kwale County Government)***  
***Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023***

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

**40. Service Concession Arrangements**

Description	FY 2022/2023 KShs	Insert Comparative FY KShs
Fair value of service concession assets recognized under PPE	-	-
Accumulated depreciation to date	(-)	XXX
Net carrying amount	-	-
Service concession liability at beginning of the year	-	-
Service concession revenue recognized	(-)	(-)
Service concession liability at end of the year	=	=

**41. Social Benefit Liabilities**

Description	FY 2022/2023 KShs	Insert previous FY KShs
Health social benefit scheme	-	-
Unemployment social benefit scheme	-	-
Orphaned and vulnerable benefit scheme	-	-
People Living with Disabilities benefit Scheme	-	-
Elderly social benefit scheme	-	-
Bursary social benefits	-	-
<b>Total</b>	-	-
Current social benefits	-	-
Non- current social benefits	-	-
<b>Total (tie to totals above)</b>	-	-

*Msambweni County Referral Hospital (Kwale County Government)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023*

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

**42. Cash Generated from Operations**

Surplus for the year before tax	FY 2022/2023	Insert Comparative FY
	KShs	KShs
<b>Adjusted for:</b>		833,353
Depreciation-	-	92,200
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>	-	925,553



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

**43. Financial Risk Management**

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

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

**(i) Credit risk**

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

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

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

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

	Less than 1 month	Between 1-3 months	Over 3 months	
	KSh	KSh	KSh	
<b>At 30 June 2023</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2023</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-

***Msambweni County Referral Hospital (Kwale County Government)***  
***Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023***

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

**(iii) Market risk**

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

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

**a) Foreign currency risk**

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

Description	KSh	Other Currencies	KSh
<b>At 30 June 2023</b>			
Financial assets (investments, cash, debtors) -	-	-	-
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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

**Msambweni County Referral Hospital (Kwale County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023**

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

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

**Foreign currency sensitivity analysis**

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

Description	Change in currency rate KShs	Effect on Profit before tax KShs	Effect on equity KShs
<b>2022 (previous year)</b>			
Euro	10%	-	-
USD	10%	-	-
<b>2023 (current year)</b>			
Euro	10%	-	-
USD	10%	-	-

**b) Interest rate risk**

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

**Management of interest rate risk**

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

***Msambweni County Referral Hospital (Kwale County Government)***  
***Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023***

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

**Sensitivity analysis**

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of financial performance if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs (2022: KShs). A rate increase/decrease of 5% would result in a decrease/increase in surplus of KShs (2023 – 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:

Description	Current Period KShs	Comparative Period KShs
Revaluation reserve	-	-
Retained earnings	-	-
Capital reserve	-	-
<b>Total funds</b>	-	-
Total borrowings	-	-
Less: cash and bank balances	(-)	(-)
Net debt/ ( <i>excess cash and cash equivalents</i> )	-	-
<b>Gearing</b>	-%	-%

**Msambweni County Referral Hospital (Kwale County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023**

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

**44. 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.

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

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

FY 2022/2023		
KSh		
<b>Transactions with related parties</b>		
<b>a) Services offered to related parties</b>		
Services	-	-
Sales of services	-	-
<b>Total</b>	<b>-</b>	<b>-</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>-</b>	<b>-</b>
<b>c) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for employees	-	-
Payments for goods and services for	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>d) Key management compensation</b>		

**Msambweni County Referral Hospital (Kwale County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023**

Description	F/Y 2022/2023	Insert Comparative FY
	Kshs	Kshs
Directors' emoluments	-	-
Compensation to the medical Sup	-	-
Compensation to key management	-	-
<b>Total</b>	-	-

**45. Segment Information**

*(Where an organisation operates in different geographical regions or in departments, IPSAS 18 on segmental reporting requires an entity to present segmental information of each geographic region or department to enable users understand the entity's performance and allocation of resources to different segments)*

**46. Contingent Liabilities**

Contingent liabilities	F/Y 2022/2023	Insert Comparative FY
	Kshs	Kshs
Court case against the company	-	-
Bank guarantees in favour of subsidiary	-	-
<b>Total</b>	-	-

*(Give details)*

**47. Capital Commitments**

Capital Commitments	F/Y 2022/2023	Insert Comparative FY
	Kshs	Kshs
Authorised For	-	-
Authorised And Contracted For	-	-
<b>Total</b>	-	-

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

**48. Events after the Reporting Period**

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

**49. Ultimate and Holding Entity**

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

**50. Currency**

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



**20. Appendices**

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

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

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

**Guidance Notes:**

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

.....  
**Accounting Officer**

*Msambweni County Referral Hospital (Kwale County Government)  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023*

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

**Projects**

Projects implemented by the Hospital Funded by development partners

	Project Title	Duration	Donor contribution	Separate report reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
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)*

	Project Title	Total project cost	Completion % to date	Budget	Actual	Source of funds
1						
2						
3						

**Msambweni County Referral Hospital (Kwale County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023**

**Appendix III: Inter-Entity Confirmation Letter**

*[Insert your Letterhead]*

*[Insert name of beneficiary entity]*

*[Insert Address]*

The *[insert SC/SAGA/Fund name here]* wishes to confirm the amounts disbursed to you as at 30<sup>th</sup> June 2023 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by [insert name of beneficiary entity] as at 30 <sup>th</sup> June 2023							
Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (KShs) as at 30th June 2023				Amount Received by [beneficiary entity] (KShs) as at 30 <sup>th</sup> June 2023 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
<b>Total</b>							

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

**Head of Accounts Department of the beneficiary entity:**

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

*Msambweni County Referral Hospital (Kwale County Government)  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023*

**Appendix IV Reporting of Climate Relevant Expenditures**

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

*Msambweni County Referral Hospital (Kwale County Government)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023*

---

**Appendix V: Disaster Expenditure Reporting Template**

	Disaster programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/rescue/evacuation/preparedness)	Expenditure item	Amount (Kshs.)	Comments

*Msambweni County Referral Hospital (Kwale County Government)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023*

---

**NOTES**

- During the financial year 2022/2023 the revenue department collected a total of Kshs. 28,393,970.00 through Mpesa paybill from patients attended to at the facility.
- During the financial year 2022/2023 the revenue department collected a total of Kshs. 28,591,400.00 through NHIF claims from patients attended to at the facility as capitation.
- During the financial year 2022/2023 the Hospital received donations from Global Fund to fight Tuberculosis, HIV and Malaria amounting to Kshs. 14,822,029.99.

