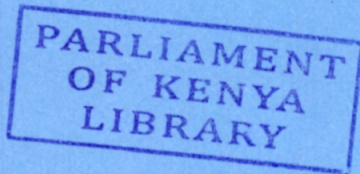


REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**



**OF**

**THE AUDITOR-GENERAL**

**ON**

**MT. KENYA SUB-COUNTY LEVEL 4 HOSPITAL**

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

**COUNTY GOVERNMENT OF NYERI**

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# **MT. KENYA SUB COUNTY LEVEL 4 HOSPITAL**

## **NYERI COUNTY GOVERNMENT**

### **ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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

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**1. Acronyms & Glossary of Terms**

CSR	Corporate Social Responsibility
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 hospital.
IPSAS	International Public Sector Accounting Standards
PSASB	Public Sector Accounting Standards Board
OAG	Office of the Auditor General
KMTC	Kenya Medical Training College
CECM	County Executive Committee Member
FY	Financial Year
LVCT	Liverpool Voluntary Counselling and Testing
CECM	County Executive Committee Member

## **2. Key Hospital Information and Management**

### **(a) Background information**

Mt. Kenya Sub County Hospital is a level four public hospital located along Nyeri-Kamakwa road about one kilometre from Nyeri town. The nearest public health facilities are Nyeri County Referral Hospital and Nyeri Town Health Centre at about 3 km and 1.5 km respectively. It has a bed capacity of 32 which is expected to double once the on-going old ward refurbishment works are over.

The hospital was started in 1947 as an institution to serve the White Settlers living within the Mt. Kenya region and it strictly offered inpatient services for the settlers. After independence in 1963, the facility continued to offer health services as an Annex of the then Nyeri Provincial Hospital (amenity wing). The situation remained the same until the year 2002 when the management rehabilitated some buildings and provided space to start offering out-patient services.

In the FY 2022/2023, the hospital offered the following services:

- General Outpatient consultation services.
- Medical Outpatient Clinics.
- In-patient services (male and female medical).
- Maternity services (basic obstetric care since the theatre has been non-operational since 2018).
- Comprehensive Care Clinic services like (HIV/AIDs and TB/Chest Clinic).
- MCH/FP services.
- Laboratory services.
- Outpatient Pharmacy.
- Dental services.
- Clinical Counselling.
- Nutrition.
- Rehabilitative services (physiotherapy and occupational therapy).

From March 2020 at the onset of COVID pandemic the hospital was converted to an Infectious Disease Unit/Centre for the county; serving residents of the county and from the surrounding counties.

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For about 3 months (March 2022 to June 2022) the hospital reverted to a general hospital but resumed the isolation status until early September 2022 and has been operating as a general hospital since then. The hospital had an annual workload of 17,930 from 10,379 in the previous year which is a 42% increase. This is a reassuring trajectory since 2020-2021 and it indicates that the hospital is making a good recovery from the effects of the pandemic. Most hospital departments experienced an increase in workload.

The hospital also takes part in training of healthcare professionals by offering attachment services to students from various tertiary institutions such as KMTC, Nyeri National Polytechnic, Outspan Medical College, Jomo Kenyatta University of Science and Technology among others.

Other units that work closely with the hospital and are also hosted within the hospital include the regional blood transfusion satellite, sub county MOH offices, Drop-in Centre (DICE) and LVCT Health.

The hospital is governed by a Board of Management whose members are nominated by CECM Health and appointed by the Governor in accordance with the Nyeri Health Services Act, 2015.

Other Acts & Regulations that governs health services include;

- Nyeri County Health Services Fund Act, 2021 and its Regulations.
- Nyeri County Tax Waivers 2015 and its guidelines.
- PFM ACT 2012.
- PFMA Regulations 2015,
- PPDA 2015
- PPDA Regulations 2020

**(b) Principal Activities**

The principal activity of the hospital is to offer quality preventive and curative healthcare services. Since the hospital is working on developing its first strategic plan, the facility shares in the Nyeri County Department of Health vision, mission and core values which are as follows:

Vision – To establish an efficient and high-quality health care system that is accessible, equitable and affordable for all.

Mission - To promote and provide quality integrated preventive, promotive, curative, rehabilitative and palliative services to all Nyeri county residents.

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Core Values: - Patriotism, Professionalism, Inclusivity, Teamwork, Integrity and Accountability.

**(c) Key Management**

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

- County Department of Health
- **Hospital's Board of Management**
- Medical Superintendent
- Hospital Management Committee
- Executive Expenditure Committee

**(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.	Medical Superintendent	Dr. Charles Ndirangu
2.	Head of Finance	Mr. S. Mwangi Kibiru
3.	Head of Supply Chain	Mr. Paul Warukenya
4.	Hospital Administrative Officer	Mr. Raphael Muhuhu
5.	Nursing Services Manager	Mrs. Teresa Wachira

**(e) Fiduciary Oversight Arrangements**

The overall oversight responsibility of the facility lies with the Hospital Board of Management and its sub-committees which are: Finance & Audit sub-committee and Medical sub-committee. Other entities with supervisory control include, the County Assembly of Nyeri, the Nyeri County Department of Health and the Ministry of Health. The oversight roles are exercised through regular support supervisions, and through monthly and quarterly reports.

**(f) Mt. Kenya Hospital Headquarters**

P.O. Box 201.  
Nyeri.  
Nyeri-Kamakwa Road

**(g) Mt. Kenya Hospital Contacts**

Telephone: (+254) 722 270 955  
E-mail: mtkenyahospital@gmail.com

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**(h) Mt. Kenya Hospital Bankers**  
Co-operative Bank - Nyeri Branch



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

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




**(k) County Attorney**  
Nyeri County Government  
P.O. Box.1112,  
Nyeri, Kenya.






### 3. The Board of Management




Ref	Directors	Details
1.	<p><b>Mr. Joseph Karweru</b></p>  <p><b>Chairman</b></p>	<p><b>MSC. Economics and Social Studies (University of Wales-UK), Master's Degree in Economics and Social studies, Majoring in Population Policies and Programmes.</b></p> <p>Diploma in Integrated rural Development - Cameroon, Certificate in Integrated Family Welfare Course-CAFS-KENYA, Certificate in Health Care in Developing Countries - Boston University (USA), Certificate in Advances in Health Communication - John Hopkin's University (USA). Attended many other short courses, workshops and conferences on population/Reproductive Health, locally and overseas. Has worked with Kenya Association for Promotion of Adolescent health as MD (2001-2006), Family Life Promotion services (FLPS), Family Health Options-Kenya, GOK as Social Development Officer.</p>
2.	<p><b>Dr. Charles Ndirangu</b></p>  <p><b>Secretary</b></p>	<p><b>Bachelor of Medicine and Bachelor of Surgery- The University of Nairobi; September 2012 to December 2018.</b></p> <p><b>Short Courses-</b></p> <p>Advanced Cardiac Life Support</p> <p>Senior Management Course</p> <p>Low Carbohydrate Diabetes Management for Health Professionals, by Afya Planet in conjunction with Kenya Diabetes Study Group; 2020.</p> <p>Heart Failure and Hypertension Masterclass - Daktari Africa; 2020.</p> <p>Basic Life Support- American Heart Association; 2019.</p> <p>Advanced Cardiac Life Support- American Heart Association; 2019</p> <p>Emergency Maternal Obstetrics and Newborn Care - UON/Liverpool School of Tropical Medicine: 2018.</p> <p>Paediatric Emergency Triage Assessment and Treatment - UON: 2016</p>

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<p>3. Dr. Eliud Mwangi</p>		<p><b>MBCChB, Consultant Physician.</b></p> <p>Dr. Eliud is a leading consultant physician and has a wealth of experience in the health sector, having worked in the public sector for a majority of his career before transitioning into private practice. He has served as the Central Provincial Medical Officer.</p> <p><b>Subcommittees:</b></p> <ul style="list-style-type: none"> <li>• Chair of medical subcommittee</li> </ul>
<p>4. Mrs. Monica Ndegwa</p>		<p><b>BSC. Environmental Health Sciences.</b></p> <p>Mrs. Monica is a public health officer, and she currently works within the County Department of Health Services where she is tasked with supervising public health activities within the department.</p> <p><b>Work Experience:</b> Extensive experience in public health</p> <p><b>Sub-Committee:</b></p> <ul style="list-style-type: none"> <li>• Member of Infrastructure/strategic plan/development</li> </ul>
<p>5. Mrs. Alice Kinuthia</p>		<p><b>Bachelor's Degree in Business Administration (Marketing option), Diploma in Purchasing and Supply Management.</b></p> <p><b>Work Experience:</b> Currently working with NHIF. Worked with NHIF from 1998.</p> <p><b>Sub-Committee:</b></p> <p>Finance and Procurement</p>

<p>6. Rev. Emily Kamere</p>		<p><b>Bachelor of Education (KU), Diploma in Transformation Leadership: Pan African Christian University, an ordained church minister and graduate teacher.</b></p> <p><b>Work Experience:</b> More than 25 years as an ordained church minister, 15 years teaching experience in various institutions.</p> <p><b>Sub-Committee:</b></p> <ul style="list-style-type: none"> <li>• Member of Infrastructure/strategic plan/development</li> </ul>
<p>7. Mrs. Martha Mungure</p>		<p><b>Masters in Counselling Psychology (KU), Bachelor of Arts-counselling (KeMU), Diploma in Education (Kagumo Teachers' College)</b></p> <p><b>Work Experience:</b> A rich professional background in the education and clinical counselling sector.</p> <p><b>Sub-Committee:</b></p> <ul style="list-style-type: none"> <li>• Chair of Infrastructure/strategic plan/development</li> </ul>
<p>8. Mrs. Rahab Wango'ndu</p>		<p><b>Diploma in Applied Science (Food Processing),</b></p> <p><b>Work Experience:</b> Career spanning over 20 years. Worked with Nestle S.A, KMA, KBS, SGS, Nestle CT-Pack and design as a trainer and participated in audits on Food Safety Management at New KCC Kiganjo Factory and Sameer Food and Agriculture Hospital, Uganda.</p> <p><b>Sub-Committee:</b></p> <ul style="list-style-type: none"> <li>• Medical Subcommittee member</li> </ul>

**4. Key Management Team**

Ref	Management	Details
1	<p>Dr. Charles Ndirangu</p> 	<p><b>Qualifications:</b></p> <p>Bachelor of Medicine and Bachelor of Surgery.</p> <p><b>Responsibilities:</b></p> <p>Overseeing overall operations of the hospital in service delivery, financing and implementation of activities.</p>
2	<p>Mr. Raphael Muhuhu</p> 	<p><b>Qualifications:</b></p> <p>Masters in International Business Administration.</p> <p>BA. Economics &amp; Sociology.</p> <p><b>Responsibilities:</b></p> <p>Overseeing administrative activities in the hospital.</p>
3	<p>Ms. Teresa W. Wachira</p> 	<p><b>Qualifications:</b></p> <p>Bachelor of Science in Nursing and a Diploma in KRCHN.</p> <p><b>Responsibilities:</b></p> <p>Overseeing nursing services in the hospital.</p>

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<p>4. Mr. Shaban M. Kibiru</p> 	<p><b>Qualifications:</b></p> <p>Bachelor of Commerce - Finance option and CPAK.</p> <p><b>Responsibilities:</b></p> <p>Overseeing financial&amp; accounting services in the hospital.</p>
<p>6. Mr Paul Warukenya</p> 	<p><b>Qualifications:</b> Bachelor of Business Management Procurement Option</p> <p><b>Responsibilities:</b> Overseeing procurement of goods &amp; services and ensuring safe storage of commodities in the hospital.</p>

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

I take pleasure in presenting the hospital's financial statements for the FY 2022/2023. The Board of Management is proud of the progress made in the hospital in the last financial year and the trajectory it has taken especially toward upgrading to a proposed new amenity status. The hospital was operating as an isolation centre for the county and had 31 beds for Covid-19 patients. The facility prides itself for having managed the pandemic in an exemplary manner despite the various challenges.

Key activities during the year include:

- ❖ Completion of installation of a bulk liquid oxygen plant project,
- ❖ Connection of Inpatient and outpatient to piped oxygen,
- ❖ Resumption of dental services,
- ❖ Resumption of Occupational Therapy services,
- ❖ Completion of a new 32-bed ward,
- ❖ Initiation of old ward roof refurbishment and theatre renovation,
- ❖ Construction of a walkway,
- ❖ Completion of hospital sewerage system among others,
- ❖ Initiation of construction of a laundry house,
- ❖ Initiation of process of generating the first strategic plan for the hospital.

Some of the main challenges include understaffing, lack of specialists, lack of basic services such as imaging, theatre and morgue services. This has led to lower rebates and capitation from NHIF which previously categorized the facility as a level 3. I am grateful that this has now been revised to level 4 which will boost revenue collection and service delivery. Having served as an isolation centre has also affected the facility's workload and service delivery due to stigmatization and occasional service interruption by isolation patients. This also affects revenue collection in an adverse manner.

There are on-going plans to upgrade the hospital to provide amenity services in the hospital and there is optimism that with the COVID 19 infection rates and severity going down; coupled with good will and the existing support from the county department of health, the facility will be able to excellently provide the services.



.....

**Mr. Joseph Karweru**  
**Chairman to the Board**

## **6. Report of The Medical Superintendent**

I am pleased to present the 2022-2023 financial year financial statements for Mt. Kenya Sub County Hospital. The hospital is a 31-bed capacity located about 1 km from Nyeri town along Nyeri-Kamakwa road. The hospital offers services mainly to residents of Nyeri Town and Tetu Sub Counties in Nyeri County. In March 2020, at the onset of COVID 19 pandemic in the country, the facility was converted to an infectious disease unit/Isolation Centre for COVID 19. Excellent management of COVID 19 patients remains one of the greatest milestones for Mt. Kenya Hospital despite the myriad of challenges that came with it. The professionalism and dedication that the officers demonstrated in managing a novel pandemic is evidence of their selfless and valiant nature. One of the greatest effects of the pandemic is low numbers in the ward and outpatient departments even after reverting to a general ward. COVID 19 has heavily affected the hospital especially due to the occasional reverting to isolation. On a positive note, the hospital has since September 2022 operated as a general hospital.

I am glad to report that the hospital offered COVID 19 management for clients not just from Nyeri County but from surrounding counties. We recognize the role played by the county department of health, the ministry of health and other partners that supported the facility in the fight. The hospital has also been earmarked to provide amenity services and significant progress has been made towards achievement of the same. We are optimistic that this dream will be actualized in the 2023/2024 financial year.

In the FY 2022-2023, a number of projects were initiated, commissioned or continued. A joint project by KEMSA/AMREF to install a 6,000L bulk liquid oxygen plant to further cushion the facility against oxygen deficits was completed. The hospital now has a fluent supply of medical oxygen with a PSA plant on standby, oxygen cylinders and concentrators. This makes our hospital one of the most equipped in terms of oxygen in the county and the region. The bulk liquid oxygen tank also goes a long way in helping the facility to save on electricity bills.

The occupational therapy department had been closed at the onset of the COVID 19 and was reopened in this financial year. The numbers have remained low but with the hospital setting some budgetary allocation for advertisement, we are optimistic that the workload in the department will increase.

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A new 32-bed capacity, 1 storey ward was completed in the same year. Some of the rooms in the ward are self-contained which is a big boost in the county's mission to provide amenity services at the Hospital. There are hopes that the ward will also increase the hospital's revenue collection and boost efforts of facility improvement.

Renovation of the leaking roof in the old ward together with theatre refurbishment began in the 2022-2023 financial year and it is expected that the hospital will soon operationalize the theatre which is a big step in the provision of quality services as well as increasing revenue collection in the facility. An anaesthetist has been posted to the facility which is a sign of commitment by the county department of health to improve service delivery in the hospital.

The department of health also funded construction of a walkway from the OPD department and connecting both old and new ward which was completed in 2022-2023 and this has made movement between outpatient and wards easier and more convenient

In conjunction with the hospital board of management, the hospital is in the process of preparing a 5-year strategic plan which will provide a roadmap for the hospital as well as enable the facility to mobilize resources.

In terms of leadership and governance, the hospital conducts monthly HMT meetings, quarterly EEC meetings, and quarterly board and its subcommittees' meetings. In the financial year, a number of committees were created and other revitalised and plans are underway to have all other committees operating. Continuous medical education remains an integral part of advancing medical knowledge and has continued for the whole year without fail.

The Nyeri County started implementation of the Nyeri County Health Services Act, 2021 in the financial year which saw hospitals retain 77% of their revenue collection; 3 % going to the board that manages the fund and 20 % going to support primary health institutions in the county. Mt Kenya Sub-County Hospital received Kshs. 20,647,649. This was an improvement from the Ksh 15,864,599 raised in the previous financial year. This was impressive in the background of missing crucial services and units, staff, constant service disruption caused by the COVID pandemic (fluctuation in patient numbers in the ward, closure of maternity ward and low workload in the OPD). The facility also received Kshs. 4,000,000 as a grant transfer from the county department of health. The County



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Department of Health also availed in kind contributions (utility bills, casual wages, e.t.c.) totalling to Ksh 14,879,330 which was a 65.8% increment from the previous financial year (Kshs. 5,085,824). I am grateful to also report that the hospital NHIF classification has since been revised to level 4 status which is expected to significantly boost the revenue collection in the hospital.

The total revenue for the year was Kshs. 24,647,649 and total expenditure of Kshs. 18,322,301 leading to a net surplus of Kshs. 9,332,404.

**Challenges**

Main challenges include understaffing, lack of specialists (facility only has 2 consultants-physicians), lack of imaging and morgue services among others. The constant reverting back to isolation and the stigma as a Covid-19 isolation are some of the other deterrents to quality service delivery and significant strides in revenue collection. Financing remains a huge huddle in the achievement of the planned activities that are aimed at upgrading the facility to the standards of a KEPH level 4 hospital. There is, however hope in own-source revenue especially with introduction of amenity services with the potential of tapping into the expanding middle class populace and corporate medical insurance.

**Future Outlook**

The Nyeri County Department has begun plans of upgrading the hospital to reach the standards of a KEPH level 4 hospital and to also be able to provide amenity services. This is expected to improve service delivery, increase revenue collection and tap into the enlarging pool of the middle class and corporate clients.



.....  
**Dr. Charles Ndirangu**  
**Medical Superintendent**  
**Mt. Kenya Sub-County Hospital**

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

Mt. Kenya hospital derives its strategic objectives from the county department of health which in turn derives from the Kenya Health Policy 2014-2030. The hospital is in the plan of developing a strategic plan for 2022/23-2027/28.

The 2022/2023 annual work plan was derived from the above broad objectives which also form the basis for performance appraisal. These strategic objectives are as follows:

- a) Eliminate communicable conditions
- b) Halt and reverse the rising burden of non-communicable conditions and mental disorders
- c) Reduce the burden of violence and injuries
- d) Provide essential healthcare
- e) Minimise exposure to health risk factors
- f) Strengthen Collaboration with Health-Related Sectors

### 8. Corporate Governance Statement

Commitment and adherence to good corporate practices is paramount in every institution's vision and so as to continue offering quality services to our clients Mt. Kenya Sub County Hospital through the County department of health and the hospital board of management remains committed to ensuring compliance to statutory requirements, Code of Governance for State Corporations (Mwongozo Code 2015), Nyeri County Health Services Act, 2015 among others.

The board of management is constituted as stipulated in the Nyeri County Health Services Act, 2015.

It is constituted of 9 members including the facility accounting officer/Medical Superintendent who is the secretary to the board. The hospital administrative officer and the nursing manager also sit in the committee as members in-attendance. The constitution of the board adheres to the 2/3 gender rule and the members hail from diverse professional backgrounds such as medicine, finance, public health as well as administration.

The members of the board are nominated by the executive secretary and appointed by the Governor and have undergone an induction and training on their role and mandate in the facility. They serve for a 3-year renewable term. The members are currently serving for the second and final term except Mr Benson Muriuki who was not willing to continue serving in the board and due communication has been made to the department of health to ensure that the member is replaced. The current term will expire on 14<sup>th</sup> September 2025.

The hospital board does not have a board charter. However, the board constitution and operations are stipulated in the Nyeri County Health Services Act of 2015. The act also provides guidance on conflict of interest, the process of removal of a board member from office and dissolution of a board.

**Hospital management board members are remunerated as follows:**

Detail		Level 4 Hospitals (Kshs)
Sitting allowance	Chairperson	4,000
	Members	2,500
Lunch (where lunch is not provided)	Chairperson and members	500

a) **The attendance of board meetings for the 2022-2023 financial year is as follows:**

S/No.	Board meeting held during FY 2022-2023	Members present	Absent with apology	Absent without apology
1.	17 <sup>th</sup> August 2022	7	2	0
2.	24 <sup>th</sup> October 2022	7	2	0
3.	25 <sup>th</sup> November 2022	7	2	0
4.	06 <sup>th</sup> January 2023	6	2	0
5.	06 <sup>th</sup> April 2023	6	1	1
6.	20 <sup>th</sup> June 2023	6	1	0

**NB:** Mr. Benson Muriuki was not re-appointed.

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**b) List of board members and the number of meetings attended.**

S/No.	Name	Total No. of meetings attended FY 2022-2023 out of 6	Total No. of meetings attended FY 2022-2023 out of 4	Date of Appointment	Date of exit
1	Mr. Joseph Karweru	6		September 2019 Re-appointed on 20th September 2022	September 2025
2	Dr. Eliud Mwangi	6		September 2019 Re-appointed on 20th September 2022	September 2025
3	Mrs. Monica Ndegwa	3		September 2019 Re-appointed on 20th September 2022	September 2025
4	Mrs. Alice Kinuthia	6		September 2019 Re-appointed on 20th September 2022	September 2025
5	Rev. Emily Kamere	0		September 2019 Re-appointed on 20th September 2022	September 2025
6	Mr. Benson Muriuki	2		September 2019	September 2022
7	Mrs. Rahab Wango'ndu	4		September 2019 Re-appointed on 20th September 2022	September 2025
8	Mrs. Martha Mungure	5		September 2019 Re-appointed on 20th September 2022	September 2025
9	Dr. Charles Ndirangu	6		September 2019 Re-appointed on 20th September 2022	September 2025

**c) Roles and functions of the board.**

- i) Providing oversight over the administration of the hospital.
- ii) Promoting the development of the hospital.
- iii) Approving plans and programs for implementing county health strategies in the hospital.
- iv) Approving budget estimates before submission to the Chief Officer.
- v) Carrying any other function assigned by the executive Secretary.

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

### **Clinical/operational performance**

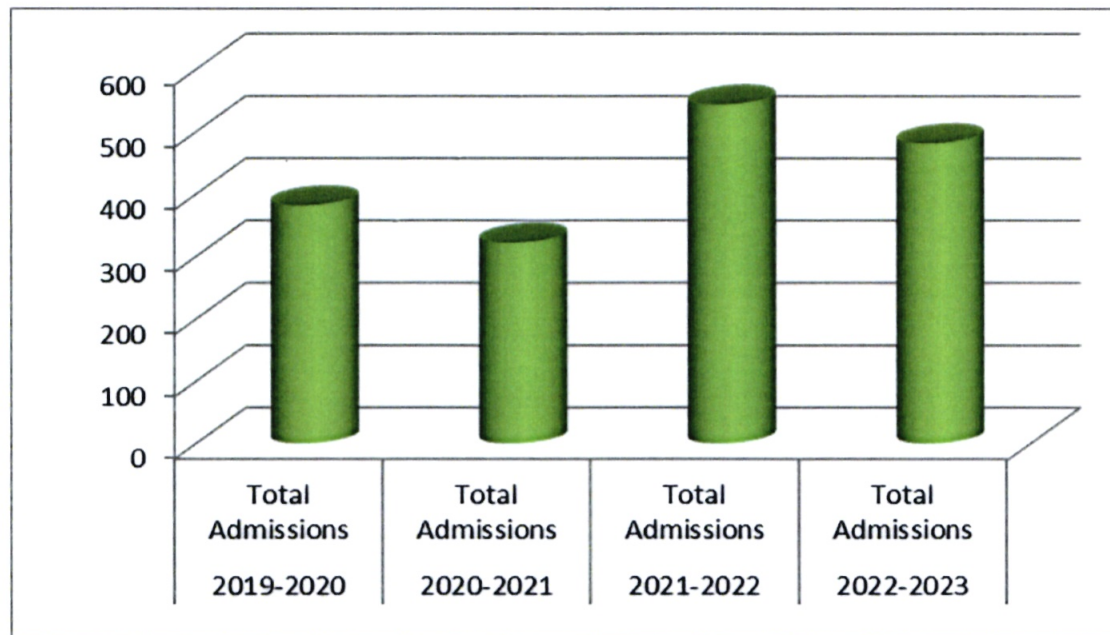
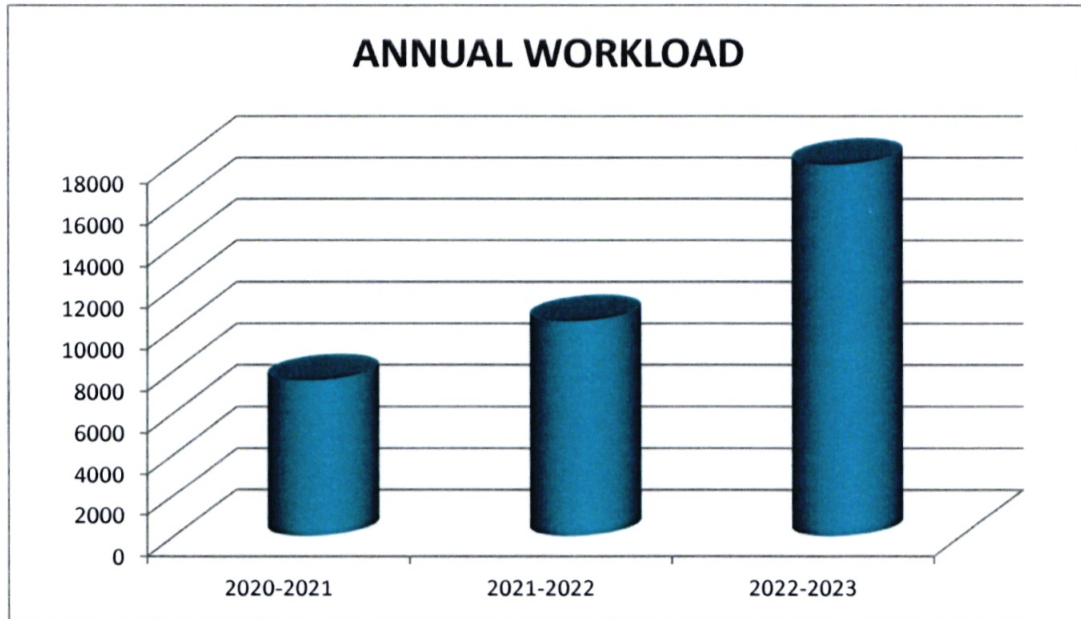
In the period 2022-2023 the hospital served as an Infectious Disease Unit for some months which halted admission of other conditions from June 2022 until September 2022 when regular ward operations were resumed. The hospital has had sparse admissions for COVID 19 or Multiple Drug Resistant TB requiring isolation and this affected ward operations greatly especially the maternity department which had to be closed for months. The outpatient workload continued to increase as compared to the last financial year which is a reassuring trend as the hospital is recovering from COVID 19. The outpatient department that was not operating on weekends, holidays and nights resumed daily day operations and plans are underway to offer services at night and even include an accident and emergency department.

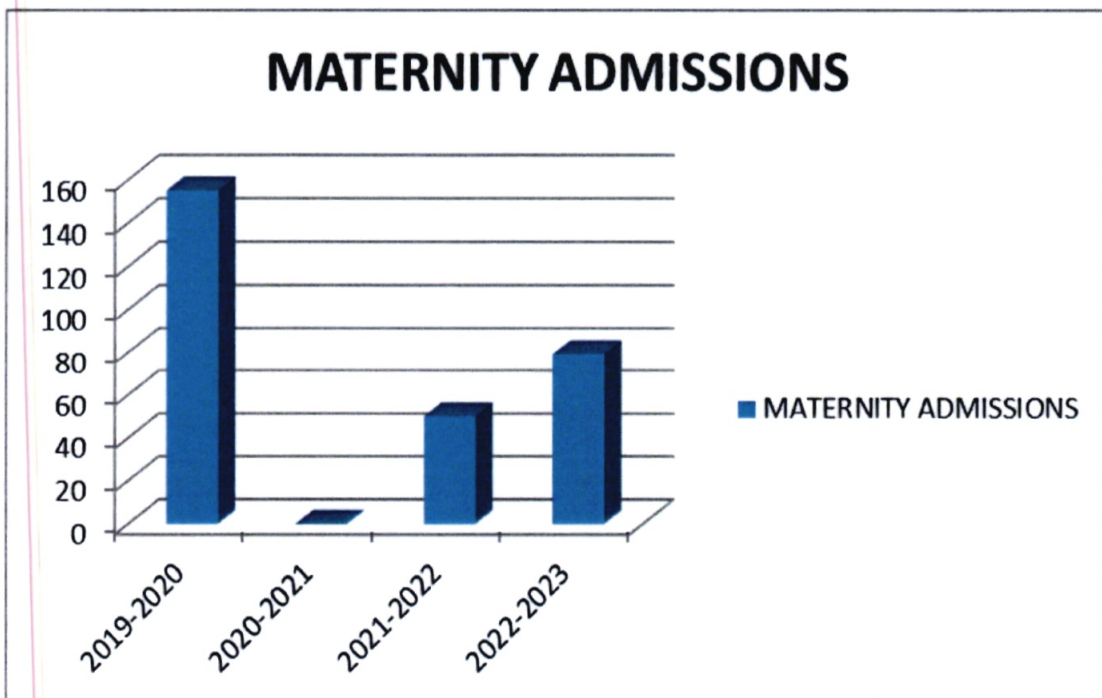
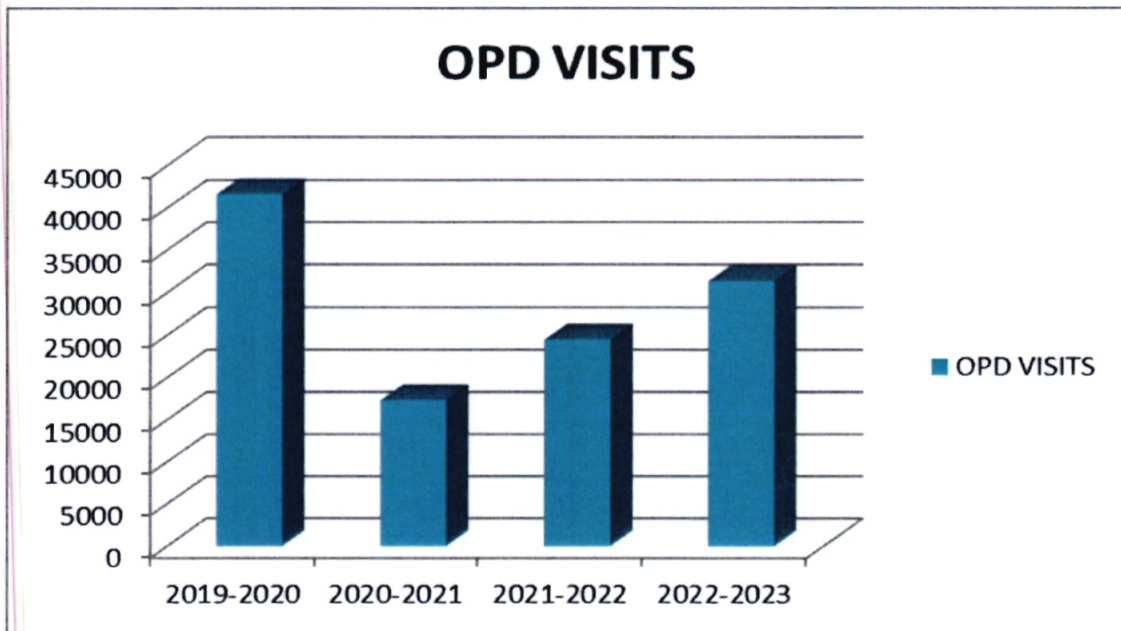
Despite major shortages in human resources and other health inputs, the hospital managed to offer quality care and this was enabled by the continued support from the county department of health and its partners.

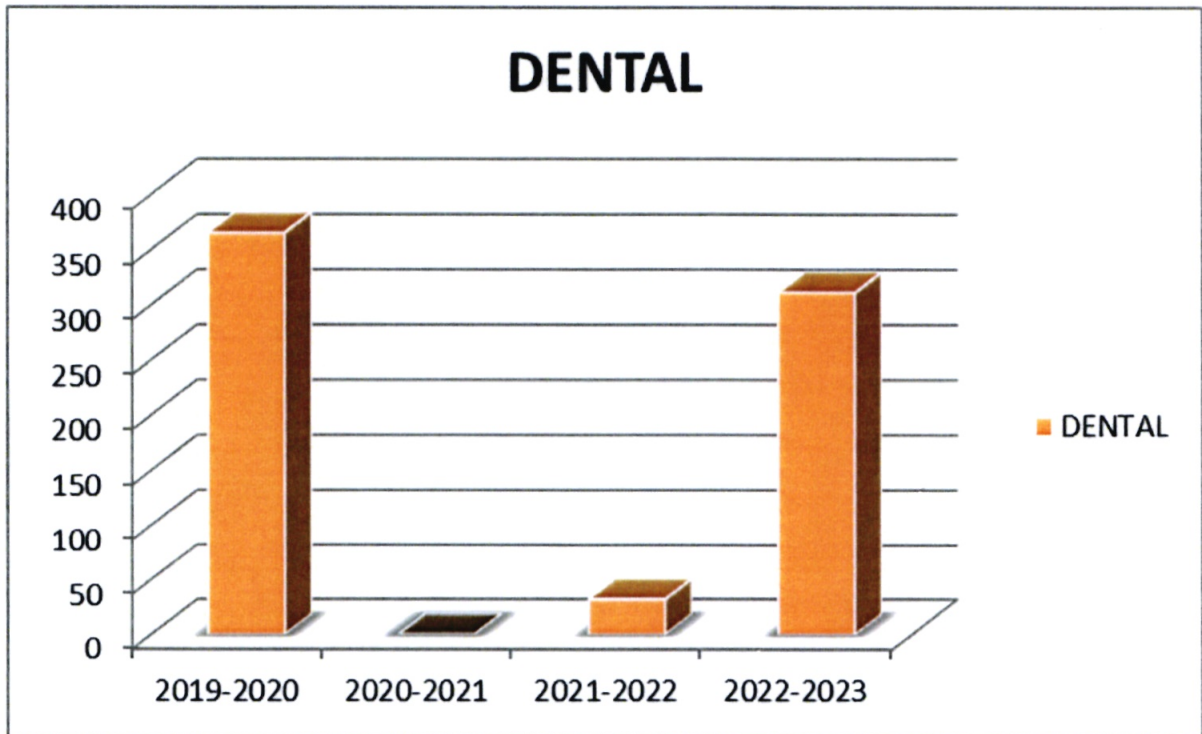
The hospital had an annual workload of 17930 from 10,379 in the previous year which is a 42% increase. The number of total admissions reduced from 514 to 482 which can be explained by the subsiding of the COVID 19 pandemic. However, maternity admissions increased by 58% and we are optimistic that with the resumption of theatre operations the number will grow even more. The inpatient and outpatient numbers are expected to continue increasing with the drop in COVID 19 numbers and the improvement in service delivery including addition of more services. The pattern of

**Mt. Kenya Sub-County Hospital (Level 4)**  
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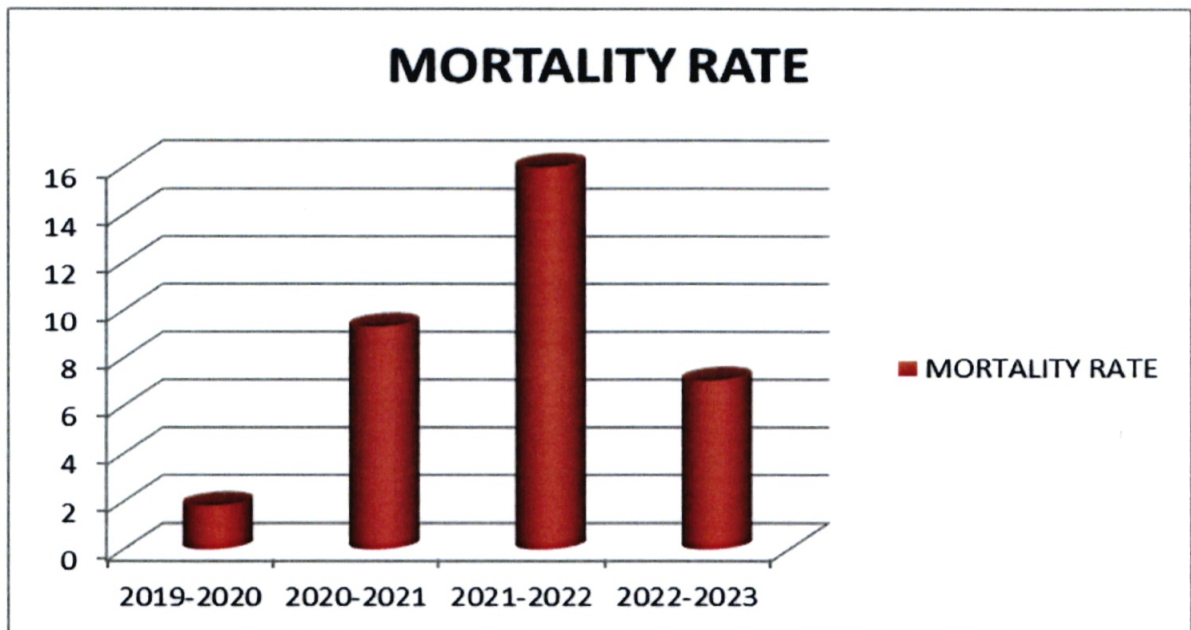
some outpatient and inpatient attendances is as depicted in the charts below.







Bed occupancy rate improved from 15% to 48.2% while the average length of stay was 9 days.





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Mortality rate in 2022-2023 dropped significantly from the previous 2 years when the hospital was operating as an infectious disease unit.

Plans to re-open the theatre were rejuvenated in the 2022-2023 financial year with theatre renovation works commencing and expected to end in September 2023. An anaesthetist and extra medical officer has also been posted to the hospital and it is expected that the theatre will be operational before November 2023.

The hospital has an inpatient capacity of 32 beds which is expected to double once the renovation of the old ward is complete. Some of the notable partnerships in the includes the LVCT (Dhibiti Project), a partner with the county department of health that mainly supports TB and HIV services in the facility, Drop-in Centre, tertiary learning institutions such as the KMTC, JKUAT, Outspan Medical College through offering attachment vacancies to their trainees, the regional blood transfusion satellite centre which is located in the facility and other county and national government bodies such as KEMRI, KEMSA.

**Financial performance**

**Revenue sources**

The hospital's sources of revenue include county government grants and user fees (In form of facility improvement fund). The Nyeri County Assembly enacted the Nyeri County Health Services Fund Act, 2021 with an aim of ring-fencing the funds collected by hospitals to ensure smooth service delivery in all facilities managed by the County Government of Nyeri. This means that 77% of revenue collected by a hospital is reimbursed back as a facility improvement fund. The Act was inaugurated and implemented in FY 2021-2022. In this financial statement, due to a change in some accounting reporting guidelines, comparison with the previous year financial performance have not been done.

The actual received revenue for the hospital was Kshs 24,647,649 which comprised of the following sources;

- Revenue from services rendered. - Kshs. 20,647,649
- Transfers from County Government -Kshs. 4,000,000

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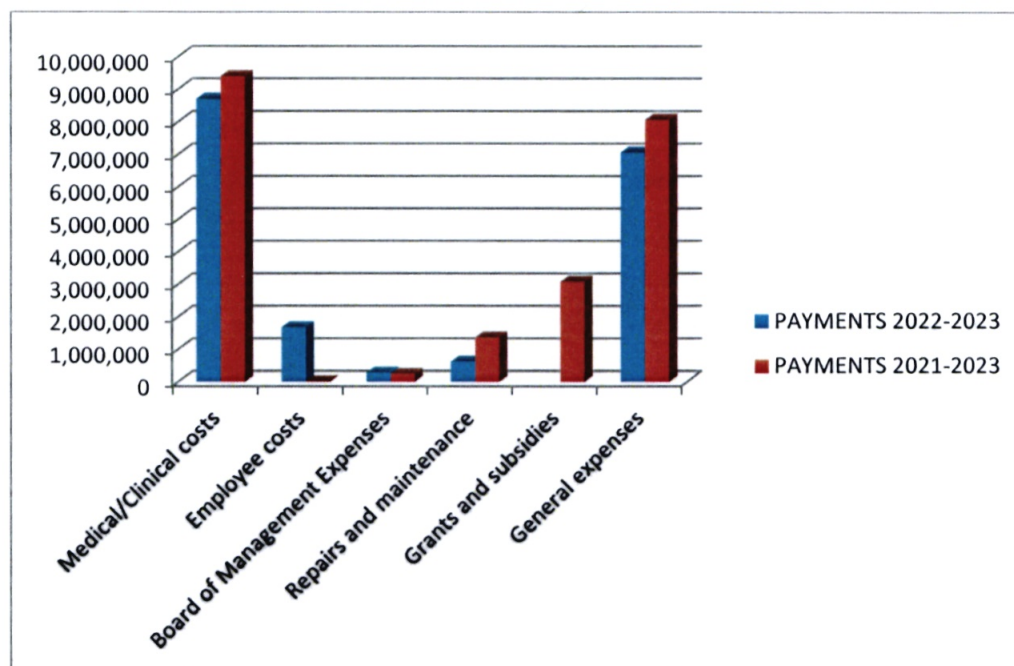
The county department of health continued to support the hospital in purchase of drugs, non-pharmaceuticals, laboratory reagents, payment of some casual workers' wages and some utility bills.

There is great potential in the facility and the revenue collection can increase. Some of the factors hindering revenue collection includes the uncertainty from the COVID pandemic and the regular reverting to isolation ward and service interruption. A large number of our clients are not registered with NHIF and hence a worrying rate of out-of-pocket expenditure which leads to a high waiver rate. The facility lacks a number of crucial departments and services such as radiology, orthopaedic trauma, operational theatre, inability to run OPD 24/7 among others which means that our clients are sent to other facilities to get the services.

**Utilisation of funds**

The total expenditure for the year was Ksh 18,322,301. Payments the following items reduced from Kshs. 22,167,125 (17.3%) in the previous year.

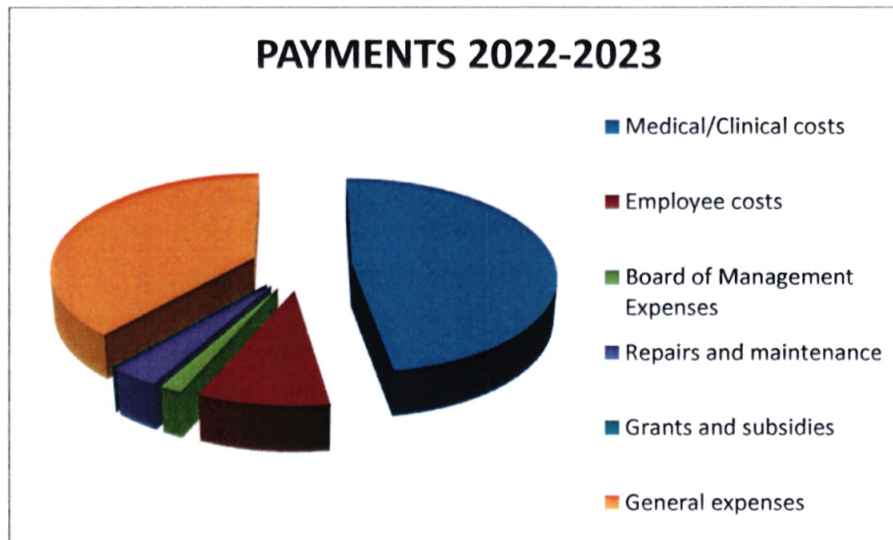
The chart below compares the payments for 2021-2022 and 2022-2023.



As demonstrated in the above chart, some payments such as medical/clinical costs, repairs and maintenance and general expenses reduced in the 2022-2023 financial year while employee costs and board expenses increased.

Just like in the previous financial year, medical/clinical costs and general expenses took the lion's share while board expenses, repairs, maintenance and employee costs had the least expenditure.

The hospital had no pending bills as at 30th June 2023.



.....  
**Dr. Charles Ndirangu**  
**Secretary to the Board**

## **10. Environmental and Sustainability Reporting**

Mt. Kenya Hospital's mandate is derived from the county department of health mission "To promote and provide quality integrated preventive, curative, rehabilitative and palliative services to all Nyeri county residents." As a hospital, the main contribution to the department's mission is in provision of curative, rehabilitative, palliative services though the facility also participates in the other aspects. The Hospital strives to provide quality services in a client-centred manner so as to contribute in optimising their health.

As a facility managed by the County Government of Nyeri, the facility is over sighted by both the County Executive and the County Assembly. The county executive is also responsible for providing both recurrent and development grants to facilitate the hospital's operations. The County through the department of health and its partners continues to provide policy level and technical support to the hospital to ensure that it continues to provide quality services to the clients.

### *i) Environmental performance.*

The hospital is well aware of the importance of conserving the environment and has taken a number of measures through support from the department of health to ensure that the hospital's serene and clean environment is protected. The hospital has a burning chamber that disposes of hospital waste. The hospital has had one tree-planting session and is encouraging all staff members to adopt a tree in the hospital. The facility appreciates the need to utilize green energy and conserve water and plans are underway to tap solar energy for heating water and lighting. The hospital will continue to engage with the department and other relevant institutions to provide a framework for environmental management and sustainability.

### *ii) Employee welfare.*

The hospital strives to safeguard employee welfare. There is no human resource department at the hospital but the hospital management ensures that staff welfare is well catered for in accordance with the existing legal and policy framework.

The hospital's management, with the authority of the Nyeri County Public Service Board, engages casual workers periodically for three months. However, staff on the county government payroll are assigned to the facility by the Nyeri County Government Department of Health Services and the County Public Service Board.

The hospital has an occupational and safety and health committee and it is expected that the hospital will be registered with DOSH in the following financial year.

*iii) Market place practices.*

Mt. Kenya Hospital is committed to ethical market place practices and set out the following outlined measures:

**a) Responsible competition practice.**

The hospital has an anti-corruption committee that meets on a quarterly basis to assess the hospital's ethical and procedural internal controls and makes recommendations on the same.

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

Guided by the Facility Improvement Fund regulations of 2019 and the Nyeri County Health Services Fund regulations of 2021, the hospital is able to meet its obligations to its suppliers within its budgetary allocations. The hospital is also guided by the procedures and legal requirements outlined by the Public Procurement and Asset Disposal Act 2015.

**c) Responsible marketing and advertisement**

Mt Kenya Hospital periodically carries out outreach programs to the surrounding community to familiarize residents on its services.

**d) Product stewardship**

During the financial year 2022/2023, the management procured medical drugs and laboratory materials from the Kenya Medical Drugs Authority and Mission for Essential Drugs and Supplies. This was to ensure that these sensitive products met all the required standards. Any other product that was not available with the above 2 suppliers was sourced from duly prequalified suppliers with full compliance to the PFM act.

**e) Corporate Social Responsibility**

Under the supervision of the Nyeri County Department of Health Services, the hospital has continued to act as a vaccination facility against the Coronavirus pandemic. The vaccine is administered free of charge to all our clients and guidance is issued to the clients on how to obtain the Covid 19 vaccine on the assigned public health portal.

## **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 hospital are to offer curative and preventive health services to all Kenyans.

### **Results**

The results of the entity for the year ended June 30<sup>th</sup> 2023 are set out on pages 1 to 8 of this report.

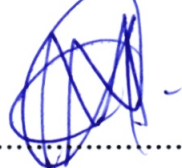
### **Board of Management**

The members of the Board who served during the year are shown on page vii - ix. During the year, the 1st term of the board members expired and they were appointed to serve for the 2nd and final term except one board member who was not willing to continue serving in the board. The process of replacing the member was initiated.

### **Auditors**

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

By Order of the Board



.....  
**Dr. Charles Ndirangu**  
**Secretary to the Board**

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

Section 164 of the Public Finance Management Act, 2012 requires the Board of Management to prepare financial statements in respect of that, which give a true and fair view of the state of affairs of the hospital at the end of the financial year and the operating results of the facility for that year. 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 facility.

The Board of Management is responsible for the preparation and presentation of the hospital financial statements, which give a true and fair view of the state of affairs of the facility for and as at the end of the financial year 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 hospital,
- (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 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 Standard (IPSAS), and in the manner required by the PFM Act 2012, and other existing financial regulations. The Board members are of the opinion that the financial statements give a true and fair view of the state of Mt. Kenya Sub County Hospital transactions during the financial year ended June 30, 2023, and of the hospital's financial position as at that date.




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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 22<sup>nd</sup> April 2024 and signed on its behalf by:



.....  
**Mr. Joseph Karweru**  
**Chairperson**  
**Board of Management**



.....  
**Dr. Charles Ndirangu**  
**Medical Superintendent**

# REPUBLIC OF KENYA



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

## REPORT OF THE AUDITOR-GENERAL ON MT. KENYA SUB-COUNTY LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2023 - COUNTY GOVERNMENT OF NYERI

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### 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 Hospital 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 as provided under 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 Mt. Kenya Sub-County Level 4 Hospital – County Government of Nyeri set out on pages 1 to 27, which comprise the

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*Report of the Auditor-General on Mt. Kenya Sub-County Level 4 Hospital for the year ended 30 June, 2023 - County Government of Nyeri*

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 Mt. Kenya Sub-County Level 4 Hospital - County Government of Nyeri 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, County Governments Act, 2012, Nyeri County Health Services Act, 2015 and Health Act, 2017.

### **Basis for Qualified Opinion**

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

The statement of cash flows reflects cash and cash equivalents at the end of the year balance of Kshs.6,291,796. However, recalculated balance of cash and cash equivalents at the end of the year reflects an amount of Kshs.12,484,622 resulting to an unexplained variance of Kshs.6,192,826.

In the circumstances, the accuracy, and completeness of the statement of cash flows could not be confirmed.

#### **2. Undisclosed Property, Plant and Equipment**

The statement of financial position reflects Nil balance for property, plant and equipment and intangible assets. However, review of Hospital records revealed that the Hospital owns various assets which include land and buildings, specialized and non-specialized medical equipment, furniture and fittings, motor vehicles, ICT equipment and intangible assets which were not disclosed in the financial statements. Further, ownership documents for the land on which the Hospital is built were not provided for audit.

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

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

The statement of financial position and Note 16 of the financial statements reflects receivables from exchange transactions balance of Kshs.3,007,057. Included in the amount is Kshs.2,806,835 due from National Health Insurance Fund (NHIF) whose records indicate a Nil balance resulting to an unexplained variance of Kshs.2,806,835. Further, review of the ledgers provided, revealed that part of this balance has been outstanding for more than eight (8) 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 receivables from exchange transactions balance of Kshs.3,007,057 could not be confirmed.

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

The statement of financial performance and Note 10 to the financial statements reflects Kshs.1,675,568 for employees costs for casuals and contractual staff . The Hospital received services from twenty-five (25) medical staff employed and paid by the County Government. However, the expenditure was not disclosed in the financial statements and the payroll was not provided for audit verification.

In the circumstances, the accuracy and completeness of employee costs amounting to Kshs.1,675,568 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Mt. Kenya Sub-County Level 4 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.

#### **Other Matter**

#### **Unresolved Prior Year Audit Matters**

In the audit report of the previous year, several issues were raised under the Report on Financial Statements and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues.

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

#### **Conclusion**

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

#### **Basis for Conclusion**

##### **1. Deficiencies in Implementation of Universal Health Coverage (UHC)**

Review of Hospital records and interviews on 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 seventysix (76) staff requirements or 75% of the authorized establishment.

<b>Staff Requirements</b>	<b>Level 4 Hospital Standard</b>	<b>Number in the Hospital</b>	<b>Variance</b>	<b>Percentage %</b>
Medical Officers	16	2	14	88
Medical Specialists	0	2	-2	
Anesthesiologists	2	1	1	50
General Surgeons	2	0	2	100
Gynecologists	2	1	1	50
Pediatrics	2	0	2	100
Radiologists	2	0	2	100
Kenya Registered Community Health Nurses	75	19	56	75
<b>Total</b>	<b>101</b>	<b>25</b>	<b>76</b>	<b>75</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 4 Hospital Standard</b>	<b>Actuals in the Hospital</b>	<b>Variance</b>	<b>Percentage %</b>
Beds	150	32	118	79
Resuscitative (2 in Labor & 1 in Theatre)	2	0	2	100
New Born Unit Incubators	5	1	4	80
New Born Unit Cots	5	0	5	100
Functional ICU Beds	6	0	6	100
High Dependency Unit (HDU) Beds	6	0	6	100
Renal Unit with At Least 5 Dialysis Machines	5	0	5	100
Two Functional Operational Theatres- Maternity & General	2	2	0	0

The deficiencies contravened 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. Lack of Quarterly Revenue Reports**

The statement of financial performance and Note 8 to the financial statements reflects rendering of services- medical services income of Kshs.20,647,649. However, the Hospital did not provide evidence to show that the quarterly revenue reports were prepared and submitted the same to the County Treasury with a copy to the Auditor-General as per the requirement of Regulations 64(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer or receiver of revenue or collector of revenue to prepare a quarterly report not later than the 15th day after the end of the quarter.

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

## **3. Lack of Revenue Safeguards and Controls**

The statement of financial performance and Note 8 to the financial statements reflects Kshs.20,647,649 in relation to the rendering of services -medical income. However, it was noted that there was no segregation of duties in revenue collection because the same person receives revenue, issues receipts and carries out the banking of revenue. This is contrary to Regulation 63. (1(a)) of the Public Finance Management (County Governments) Regulations, 2015 which states that an accounting officer and a receiver of revenue are personally responsible for ensuring that- (a) adequate safeguards exist and are applied for the prompt collection and proper accounting for, all county government revenue and other public moneys relating to their county departments or agencies.

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

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 matter 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**

### **Expired Drugs**

The statement of financial position and Note 17 to the financial statements reflects inventory balance of Kshs.6,568,070. Review of pharmacy records revealed that drugs worth Kshs.338,981 had expired in the facility and Management did not explain why they had not disposed-off the expired drugs.

In the circumstances, the effectiveness of internal controls on the management of drugs 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 controls, risk management and governance.

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

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

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

The Board of Management is responsible for overseeing the Hospital's financial reporting process, reviewing the effectiveness of how Management monitors compliance with

relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

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

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

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

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



- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 controls that are identified during the audit.

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

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

**Nairobi**

**14 June, 2024**

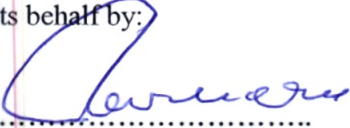
**Mt. Kenya Sub-County Hospital (Level 4)**  
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**14. Statement of Financial Performance for The Year Ended 30<sup>th</sup> June 2023**

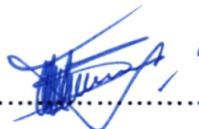
Description	Note	FY 2022/2023	FY2021/2022
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from the County Government	6	4,000,000	12,837,045
In-kind contributions from the County Government	7	14,879,330	5,085,824
<b>Revenue from exchange transactions</b>			
Rendering of services- Medical Service Income	8a	20,647,649	15,864,599
Rendering of services- Receivables	8b	3,007,057	-
Rendering of services- Waivers and Exemptions	8c	1,062,674	-
<b>Total revenue</b>		<b>43,596,710</b>	<b>33,787,468</b>
<b>Expenses</b>			
In-kind contributions from the County Government	7	14,879,330	5,085,824
Medical/Clinical costs	9	8,701,519	9,407,582
Employee costs	10	1,675,568	10,600
Board of Management Expenses	11	275,750	247,069
Repairs and maintenance	12	615,565	1,366,355
Grants and subsidies	13	-	3,074,383
General expenses	14	7,053,900	8,061,136
<b>Total expenses</b>		<b>33,201,632</b>	<b>27,252,949</b>
<b>Other Gains (Losses)</b>			
Unrealized revenue- Waivers and Exemptions	8c	1,062,674	-
<b>Net Surplus / (Deficit) for the year</b>		<b>9,332,404</b>	<b>6,534,519</b>

(The notes set out on pages 6 to 26 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 22/April/2024 and signed on its behalf by:

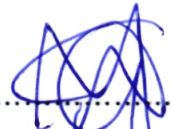


Mr. Joseph Karweru  
 Chairman  
 Board of Management



Mr. S. M. Kibiru  
 Head of Finance

ICPAK No 21439.



Dr. Charles Ndirangu  
 Medical Superintendent

*Mt. Kenya Sub-County Hospital (Level 4)*  
*Nyeri 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	Note	FY2022/2023	FY 2021/2022
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	15	6,291,796	6,159,275
Receivables from exchange transactions	16	3,007,057	1,150,764
Inventories	17	6,568,070	-
<b>Total Current Assets</b>		<b>15,866,923</b>	<b>7,310,039</b>
<b>Non-current assets</b>			
<b>Total Non-current Assets</b>		-	-
<b>Total assets</b>		<b>15,866,923</b>	<b>7,310,039</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	18	-	775,520
<b>Total Current Liabilities</b>		-	<b>775,520</b>
<b>Non-current liabilities</b>			
<b>Total Liabilities</b>		-	<b>775,520</b>
<b>Net assets</b>			
Revaluation reserve		-	-
Accumulated surplus/Deficit		15,866,923	6,534,519
Capital Fund		-	-
<b>Total Net Assets and Liabilities</b>		<b>15,866,923</b>	<b>7,310,039</b>

(The notes set out on pages 6 to 26 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 22/APRIL/2024 and signed on its behalf by:

  
 .....  
**Mrs. Joseph Karweru**  
 Chairman  
 Board of Management

  
 .....  
**Mr. S. M. Kibiru**  
 Head of Finance  
 ICPAK No: 21439.

  
 .....  
**Dr. Charles Ndirangu**  
 Medical Superintendent

*Mt. Kenya Sub-County Hospital (Level 4)*  
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16. Statement of Changes in Net Asset for The Year Ended 30<sup>th</sup> June 2023

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2021	-	-	-	-
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	6,534,519	-	6,534,519
Capital/Development grants	-	-	-	-
As at June 30, 2022	-	6,534,519	-	6,534,519
As at July 1, 2022	-	6,534,519	-	6,534,519
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	9,332,404	-	9,332,404
Capital/Development grants	-	-	-	-
As at June 30, 2023	-	15,866,923	-	15,866,923

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**17. Statement of Cash Flows for The Year Ended 30<sup>th</sup> June 2023**

Description	Note	FY 2022/2023	FY 2021/2022
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the County Government	6	4,000,000	12,837,045
Rendering of services- Medical Service Income	8a	20,647,649	15,864,599
<b>Total Receipts</b>		<b>24,647,649</b>	<b>28,701,644</b>
<b>Payments</b>			
Medical/Clinical costs	9	8,701,519	9,407,582
Employee costs	10	1,675,568	10,600
Board of Management Expenses	11	275,750	247,069
Repairs and maintenance	12	615,565	1,366,355
Grants and subsidies	13	-	3,074,383
General expenses	14	7,053,900	8,061,136
<b>Total Payments</b>		<b>18,322,302</b>	<b>22,167,125</b>
Net cash flows from operating activities		6,325,347	6,534,519
Cash flows from investing activities		-	-
Purchase of property, plant, equipment & intangible assets		-	-
Proceeds from the sale of property, plant, and equipment		-	-
Acquisition of investments		-	-
Net cash flows used in investing activities		-	-
Cash flows from financing activities		-	-
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Capital grants received		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		-	-
Cash and cash equivalents as at 1 July 2022	15	6,159,275	-
<b>Cash and cash equivalents as at 30 June 2023</b>	<b>15</b>	<b>6,291,796</b>	<b>6,159,275</b>

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**18. Statement of Comparison of Budget and Actual Amounts for the Year Ended 30<sup>th</sup> June 2023**

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	<b>A</b>	<b>B</b>	<b>c=(a+b)</b>	<b>D</b>	<b>e=(c-d)</b>	<b>f=d/c%</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	
<b>Revenue</b>						
Transfers from the County Government	4,000,000	-	4,000,000	4,000,000	-	100%
Rendering of services - Medical Service Income	20,647,649	-	20,647,649	20,647,649	-	100%
<b>Total income</b>	<b>24,647,649</b>	<b>-</b>	<b>24,647,649</b>	<b>24,647,649</b>	<b>-</b>	<b>100%</b>
<b>Expenses</b>						
Medical/Clinical costs	10,093,495	-	10,093,495	8,701,519	1,391,976	86%
Employee costs	1,703,089	-	1,703,089	1,675,568	27,521	98%
Board Expenses	403,300	-	403,300	275,750	127,550	68%
Repairs and maintenance	4,765,953	-	4,765,953	615,565	4,150,388	13%
General expenses	7,681,812	-	7,681,812	7,053,899	627,913	92%
<b>Total Expenses</b>	<b>24,647,649</b>		<b>24,647,649</b>	<b>18,322,301</b>	<b>6,325,348</b>	<b>74%</b>
<b>Surplus for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,325,348</b>	<b>6,325,348</b>	<b>-</b>

**Budget notes**

**Absorption of Board Expenses**

The absorption rate of 68% for board expenses can be explained by the fact that board members are compensated per sitting and therefore the actual board expenses were incurred based on the actual meetings held during the FY 2022/2023.

**Repairs and Maintenance Expense**

Repairs and maintenance activities follow several procurement stages which had not been completed by the end of the FY 2022/2023 leading to the absorption rate of 13%.

**Medical and Clinical Cost Expense**

The hospital utilized its allocated resources efficiently at 86% with the under-absorption occurring due to the under-supply or shortage of supplies by the hospital's suppliers during the FY 2022/2023.

**Overall Budget Absorption**

The overall budget absorption rate of 74% was mainly caused by the underutilization of funds allocated to the repairs and maintenance vote head.

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

### **1. General Information**

Mt. Kenya Sub-County hospital is established and derives its authority and accountability from the Nyeri County Health Act. The hospital is wholly owned by the Nyeri County Government and is domiciled in Nyeri County in Kenya. The hospital's **principal activity** is to offer quality preventive and curative healthcare services

### **2. Statement of Compliance and Basis of Preparation**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the hospital's accounting policies. 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 the Nyeri County Health Services Fund Act and its regulations, as well as the 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**

The Hospital did not early adopt any new or amended standards in the financial year 2022/2023.



**4. Summary of Significant Accounting Policies**

**a. Revenue recognition**

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

**Transfers from other Government entities**

Revenues from non-exchange transactions with 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 hospital 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 hospital.

**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.

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**b. Budget information**

The original budget for FY 2022/2023 was approved by Board on 17<sup>th</sup> August 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 hospital upon receiving the respective approvals in order to conclude the final budget. 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 5 under section 18 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**

The hospital did not hold any investment property in the financial year 2022/2023.

**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 hospital 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 Hospital. 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 Hospital 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 Hospital 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 Hospital. 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 Hospital expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Hospital 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.

A financial instrument is any contract that gives rise to a financial asset of one hospital and a financial liability or equity instrument of another hospital. At initial recognition, the hospital 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 hospital 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 hospital's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless the hospital 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 hospital 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 hospital 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 hospital assesses, on a forward-looking basis, the expected credit loss associated with its financial assets carried at amortized cost and fair value through net assets/equity. The hospital recognizes a loss allowance for such losses at each reporting date.

**Financial liabilities**

**Classification**

The hospital 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 Hospital.

**k. Provisions**

Provisions are recognized when the Hospital 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 Hospital 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**

The hospital did not have any social benefits transfers during the FY 2022/2023.

**m. Contingent liabilities**

The Hospital 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 Hospital 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 Hospital 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 hospital creates and maintains reserves in terms of specific requirements.

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

The Hospital recognized 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 Hospital remitted all statutory deductions for its casual employees to NSSF as required by law.

**r. Foreign currency transactions**

The hospital did not carry out any foreign currency transactions during the FY 2022/2023.

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*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2023*

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s. **Borrowing costs**

The hospital did not incur any borrowing costs during the FY 2022/2023.

t. **Related parties**

The Hospital's only related party was the county government of Nyeri.

u. **Service concession arrangements**

The Hospital did not have any service concession arrangements during the FY 2022/2023.

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 Co-operative bank at the end of the financial year. Additionally, all issued imprests had been surrendered 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 Hospital'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 Hospital 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 Hospital. Such changes are reflected in the assumptions when they occur.

##### **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 Hospital.
- 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.

**The hospital's management is yet to develop a policy in relation to estimation of useful life of assets.**

##### **Provisions**

No provisions were set aside during the preparation of the financial statements for the financial year 2022/2023. The hospitals management will liaise with the County treasure for further guidance on development of a policy for provisions.

*Mt. Kenya Sub-County Hospital (Level 4)*

*Nyeri County Government*

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**6. Transfers from the County Government**

Description	FY 2022/2023	FY 2021/2022
	KShs.	KShs.
<b>Unconditional grants</b>		
Operational grant	4,000,000	12,837,045
<b>Total government grants and subsidies</b>	<b>4,000,000</b>	<b>12,837,045</b>

**6b Transfers from the County Government**

Name of the Entity sending the grant	Amount recognized to Statement of financial performance* Kshs	Amount deferred under deferred income Kshs	Amount recognised in capital fund.	Total grant income during the FY 2022/2023	Comparative Period 2021/2022
			Kshs		
Nyeri County Government	4,000,000	-	-	4,000,000	12,837,045
<b>Total</b>	<b>4,000,000</b>	<b>-</b>	<b>-</b>	<b>4,000,000</b>	<b>12,837,045</b>

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

Description	FY2022-2023	FY2021-2022
	Kshs	Kshs
Salaries and wages	2,252,007	4,050,661
Medical drugs	6,022,068	-
Pharmaceuticals and Non-Pharmaceutical Supplies (other suppliers)	4,750,655	-
Laboratory	269,979	-
Dental	484,333	-
Utility bills	1,100,289	1,035,163
<b>Total grants in kind</b>	<b>14,879,330</b>	<b>5,085,824</b>

*Mt. Kenya Sub-County Hospital (Level 4)*

*Nyeri County Government*

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**8. a) Rendering of Services-Medical Service Income**

Description	Current FY	Comparative FY
	Kshs	Kshs
AIE NUMBER A888896	8,206,574	-
AIE NUMBER B197169	1,619,971	-
AIE NUMBER B197294	3,039,019	-
AIE NUMBER B207259	3,414,853	-
AIE NUMBER B207331	1,261,896	-
AIE NUMBER B207405	3,105,336	-
<b>Total Rendering of Medical Services Income</b>	<b>20,647,649</b>	<b>15,864,599</b>

**8. b) Rendering of Services-Receivables**

Description	Current FY	Comparative FY
	Kshs	Kshs
NHIF INSURANCE	2,806,835	-
MINET INSURANCE	116,700	-
BRITAM INSURANCE	83,522	-
<b>Total Medical Services receivable income</b>	<b>3,007,057</b>	<b>-</b>

**8.c) Rendering of Services- Waivers and Exemptions**

Description	Current FY	Comparative FY
	Kshs	Kshs
WAIVERS	864,232	-
EXEMPTIONS	198,442	-
<b>Total Medical Services unrealized income</b>	<b>1,062,674</b>	<b>-</b>

**9. Medical/ Clinical Costs**

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Dental costs/ materials	4,850	-
Laboratory chemicals and reagents	1,109,750	1,084,564
Food and Ration	2,567,464	2,037,319
Uniform, clothing, and linen	6,500	-
Dressing and Non-Pharmaceuticals	1,612,400	353,594
Pharmaceutical supplies	2,389,151	2,524,650
Health information stationery	165,350	326,835
Sanitary and cleansing Materials	601,650	609,323
Purchase of Medical gases	244,404	2,471,297
<b>Total medical/ clinical costs</b>	<b>8,701,519</b>	<b>9,407,582</b>

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**10. Employee Costs**

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Salaries, wages, and allowances (Hospital casual workers)	1,647,216	-
Other employee costs (Hired Casual labour)	28,352	10,600
<b>Employee costs</b>	<b>1,675,568</b>	<b>10,600</b>

**11. Board of Management Expenses**

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Sitting allowance	204,000	247,069
other committee and conference	71,750	
<b>Total</b>	<b>275,750</b>	<b>247,069</b>

**12. Repairs and Maintenance**

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Property- Buildings	122,210	553,585
Medical equipment	-	325,420
Computers and accessories	215,985	263,710
Motor vehicle expenses	209,810	223,640
Maintenance of plant and equipment	67,560	-
<b>Total repairs and maintenance</b>	<b>615,565</b>	<b>1,366,355</b>

**13. Grants and Subsidies**

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Transfer to health fund	-	3,074,383
<b>Total grants and subsidies</b>	<b>-</b>	<b>3,074,383</b>

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**14. General Expenses**

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Advertising and publicity expenses	46,023	-
Catering expenses	216,454	122,623
Insecticides and rodenticides	7,880	11,650
Bank charges	11,430	11,560
Contracted services	1,252,800	1,128,400
Electricity expenses	2,001,340	2,932,554
Fuel and Lubricants	1,059,914	818,877
Travel and accommodation allowance	449,100	425,450
Courier and postal services	9,450	12,090
Water and sewerage costs	597,819	834,164
Telephone and mobile phone services	292,066	258,300
Staff training and development	140,360	-
Subscriptions to newspapers periodical,	7,260	16,620
General office Supplies	319,403	324,162
Purchase of workshop tools	-	42,200
Purchase of household items and Institution appliances	19,601	84,239
Purchase of Computers, printers and other equipment	-	733,147
Other Fuel	623,000	305,100
<b>Total General Expenses</b>	<b>7,053,900</b>	<b>8,061,136</b>

**15. Cash and Cash Equivalents**

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Current accounts	6,291,796	6,159,275
<b>Total cash and cash equivalents</b>	<b>6,291,796</b>	<b>6,159,275</b>

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

Description		FY 2022/2023	FY 2021/2022
Financial institution	Account Number	Kshs	Kshs
a) Current account			
Co-operative Bank	01141666796900	6,291,796	6,159,275
<b>Grand total</b>		<b>6,291,796</b>	<b>6,159,275</b>

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**16. Receivables from Exchange Transactions**

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Medical services receivables	3,007,057	1,150,764
Less: Impairment allowance	-	-
<b>Total receivables</b>	<b>3,007,057</b>	<b>1,150,764</b>

**Analysis of Receivables from Exchange Transactions**

Description	FY 2022/2023		FY 2021/2022	
	Kshs		Kshs	
	FY 2022/2023	% of the total	FY 2021/2022	% of the total
Less than 1 year	3,007,057	100%	1,150,764	100%
Between 1- 2 years	-	0%	-	0%
Between 2-3 years	-	0%	-	0%
Over 3 years	-	0%	-	0%
<b>Total</b>	<b>3,007,057</b>	<b>100%</b>	<b>1,150,764</b>	<b>100%</b>

**17. Inventories**

Description	FY 2022/2023	FY 2021/2022
	KShs	KShs
Pharmaceutical supplies	1,635,192	-
Maintenance supplies	118,290	-
Food supplies	100,327	-
Linen and clothing supplies	4,126,957	-
Cleaning materials supplies	228,527	-
General supplies	137,572	-
Printing materials	145,055	-
Dental Supplies	76,150	-
Less: provision for impairment of stocks	-	-
<b>Total</b>	<b>6,568,070</b>	<b>-</b>



**18. Trade and other Payables**

Description	FY 2022/2023		FY 2021/2022	
	Kshs		Kshs	
Trade payables	-		775,520	
<b>Total trade and other payables</b>	-		<b>775,520</b>	
<b>Ageing analysis:</b>	<b>FY</b>	<b>% of the</b>	<b>FY</b>	<b>% of the</b>
	<b>2022/2023</b>	<b>Total</b>	<b>2021/2022</b>	<b>total</b>
Under one year	-	0%	775,520	100%
1-2 years	-	0%	-	0%
2-3 years	-	0%	-	0%
Over 3 years	-	0%	-	0%
<b>Total</b>	<b>-</b>	<b>0%</b>	<b>775,520</b>	<b>100%</b>

**19. Financial Risk Management**

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

**(i) Credit risk**

The hospital 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.

**(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 hospital's short, medium and long-term funding and liquidity management requirements. The hospital manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

**(iii) Market risk**

The hospital has put in place an internal audit function to assist it in assessing the risk faced by the hospital 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 hospital'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 hospital'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 hospital's exposure to market risks or the way it manages and measures the risk.

**a) Foreign currency risk**

The hospital 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.

**b) Interest rate risk**

Interest rate risk is the risk that the hospital's financial condition may be adversely affected as a result of changes in interest rate levels. However, the hospital did not face material interest rate risk during the financial year 2022/2023.

**Sensitivity analysis**

The hospital 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 hospital did not carry out a sensitivity analysis in the year under review.

**iv) Capital Risk Management**

The objective of the hospital's capital risk management is to safeguard the Hospital's ability to continue as a going concern. However the hospital did not have any long term liabilities or significant capital balances in the year under review.

**20. Related Party Balances**

**Nature of related party relationships**

Entities and other parties related to the hospital 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.

Nyeri County Government is the principal shareholder of the hospital, holding 100% of the hospital's equity interest. Other related parties include:

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

**21. Segment Information**

The hospital did not have any related segments during the financial year 2022/2023.

**22. Events after the Reporting Period**

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

**23. Ultimate and Holding Hospital**

The hospital is a County Government entity under the Department of Health. Its ultimate parent is the County Government of Nyeri.

**24. 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**

S/NO.	Issue / Observations from Auditor	Action Taken
	<b>Basis for Qualified Opinion</b>	
1.	Inaccuracies and Inconsistencies in the Financial Statements	Awaiting Senate recommendation
2.	Irregular Recognition of Revenue from Exchange Transactions	Awaiting Senate recommendation
3.	Unsupported National Hospital Insurance Fund (NHIF) Claims	Awaiting Senate recommendation
4.	Unsupported Cash and Cash Equivalents	Awaiting Senate recommendation
	<b>Key Audit Matters (Other Matter)</b>	
1.	Budgetary Control and Performance	Awaiting Senate recommendation
2.	Failure to Maintain Revenue Cashbook	Awaiting Senate recommendation
3.	Non-Submission of Monthly Bank Reconciliations	Awaiting Senate recommendation
4.	Understaffing of Health Workers	Awaiting Senate recommendation
5.	Failure to offer various medical services offered in the Hospital	Awaiting Senate recommendation
6.	Inadequate Operational Equipment	Awaiting Senate recommendation
	<b>Report on Effectiveness of Internal Controls, Risk Management and Governance</b>	
1.	Lack of Key Operational Departments	Awaiting Senate recommendation
2.	Lack of Usage Trail on Medical/Clinical Costs	Awaiting Senate recommendation
3.	Non-Functional Operating Theatre	Awaiting Senate recommendation
4.	Lack of Risk Assessment Policy	Awaiting Senate recommendation
5.	Inadequate Storage Space	Awaiting Senate recommendation
6.	Lack of Land Ownership Documents	Awaiting Senate recommendation

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**Accounting Officer**

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**Appendix 2: Waivers and Exemptions for the FY 2022/2023**

<b>MONTH</b>	<b>AMOUNT EXPEMPTED</b>	<b>AMOUNT WAIVED</b>	<b>TOTAL WAIVERS AND EXPEMPTIONS</b>
JULY 2022	4,800	55,452	60,252
AUGUST 2022	-	102,888	102,888
SEPTEMBER 2022	-	-	-
OCTOBER 2022	-	34,638	34,638
NOVEMBER 2022	11,130	26,015	37,145
DECEMBER 2022	13,100	134,709	147,809
JANUARY 2023	3,300	-	3,300
FEBRUARY 2023	1,960	65,890	67,850
MARCH 2023	20,885	115,336	136,221
APRIL 2023	59,307	91,656	150,963
MAY 2023	36,325	125,926	162,251
JUNE 2023	47,635	111,722	159,357
<b>TOTAL</b>	<b>198,442</b>	<b>864,232</b>	<b>1,062,674</b>