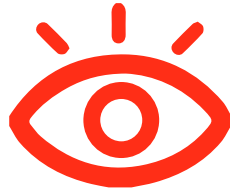




**REPORT OF THE
AUDITOR-GENERAL ON
LEVEL 4 AND LEVEL 5 HOSPITALS IN KENYA**
FINANCIAL YEAR 2021/2022



VISION

Making a difference in the lives and livelihoods of the Kenyan people



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Foreword

This report is a consolidation of the findings in the audit reports of Level 4 and Level 5 hospitals for the year ended 30 June, 2022.

The Constitution of Kenya, under the Bill of Rights, provides that every person has a right to the highest attainable standard of health. This includes the right to health care services, including reproductive health care.

The Sustainable Development Goals (SDGs), which were adopted by the United Nations in 2015, emphasize the importance of good health and well-being. SDG 3 aims to promote health and well-being for people of all ages. It underscores the importance of addressing communicable and non-communicable diseases, maternal and child health, affordable medicines and vaccines, and environmental health. SDG 10 on the other hand aims at reducing inequalities and one way of achieving this is by providing equitable access to health services through Universal Health Care (UHC) based on enhanced primary care.

The First Schedule of Health Act, 2017 sets out the technical classification of levels of health care. The Kenya Quality Model for Health Policy Guidelines (KQMH), developed by the Ministry of Health and implemented by the Kenya Medical and Dentists Practitioners Council (KMDPC), specify the needs of each level of hospital in terms of staffing, services and equipment.

A crucial step towards realizing the right to health was the devolution of key health services to County Governments under the Constitution. The devolved system of government defines the responsibilities of the National Government and County Governments. Notably, health services were devolved to County Governments, with the National Government retaining oversight of health policy guidelines and the three national referral hospitals, namely Kenyatta National Hospital (KNH), Moi Teaching and Referral Hospital (MTRH), and Kenyatta University Teaching Research and Referral Hospital (KUTRRH).

The forty seven (47) County Governments assumed the management of hospitals within their jurisdictions, comprising Community Facilities (Level 1), Health Dispensaries (Level 2), Health Centres (Level 3), County Hospitals (Level 4) and County Referral Hospitals (Level 5).

According to the Kenya Master Health Facility list by the Ministry of Health, there are a total of three hundred and fifty-eight (358) Level 4 hospitals and fourteen (14) Level 5 hospitals in the Country. For the financial year ended 30 June, 2022, fifty (50) Level 4 hospitals and eight (8) Level 5 hospitals submitted their financial statements for audit,

marking the commencement of the inaugural audit for these fifty-eight (58) hospitals as self-accounting entities.

Hospitals play a crucial role in the implementation of healthcare, a key pillar for the Government Agenda. The healthcare pillar focuses on; Primary Healthcare, Universal Health Coverage (UHC), Health Systems Capacity, and Health Data Systems.

The Office of the Auditor-General has expanded its audit scope in tandem with the increase in Government programs aimed at fostering sustainable development and delivery of quality services to citizens. The expanded responsibilities call for enhanced support from Parliament and the Executive so that the Office can build capacity to comprehensively execute its mandate.

The individual audit reports of each of the hospitals for the year ended 30 June, 2022 containing my opinion have already been submitted to the Senate, County Assemblies and the Medical Superintendents who are the Accounting Officers.

I would like to express my sincere gratitude to the entire staff of the Office of the Auditor-General for their unwavering commitment, passion, and professionalism in conducting the audit of Level 4 and Level 5 hospitals. I wish also to appreciate my clients, the auditees for their cooperation during the audit process.



FCPA Nancy Gathungu, CBS
AUDITOR- GENERAL

Nairobi

23 January, 2024

List of Abbreviations

1. BCG - Bacillus Calmette Guerin
2. ECG - Electrocardiogram
3. FEFO - First Expiry First Out
4. GF- Global Fund
5. HDU - High Dependency Unit
6. HIMS - Hospital Information Management System
7. HIV- Human Immunodeficiency Virus
8. ICPAK - Institute of Certified Public Accountants of Kenya
9. ICU - Intensive Care Unit
10. IPSAS - International Public Sector Accounting Standards
11. ISSAIs - International Standards of Supreme Audit Institutions
12. KEMSA - Kenya Medical Supplies Authority
13. KHIS - Kenya Health Information System
14. MEDs - Mission for Essential Drugs and Supplies
15. MRI - Magnetic Resonance Imaging
16. NG-CDF - National Constituencies Development Fund
17. NHIF- National Health Insurance Fund
18. NSSF- National Social Security Fund
19. OPV - Oral Poliovirus Vaccine
20. PAYE - Pay As You Earn
21. PBB - Pharmacy and Poisons Board
22. PFM - Public Finance Management
23. PPADA - Public Procurement and Asset Disposal Act
24. PSASB - Public Sector Accounting Standards Board
25. TB - Tuberculosis
26. UHC - Universal Health Coverage
27. VAT- Value Added Tax

1. Introduction

1.1. Constitutional Mandate of the Auditor-General

The Auditor-General is mandated by the Constitution of Kenya, under Article 229, to audit and report on the use of public resources by all entities funded from public funds. These entities include; the National Government, County Governments, the Judiciary, Parliament, Statutory Bodies/State Corporations, Commissions, Independent Offices, Public Debt, Political Parties funded from public funds, other Government agencies and any other entity funded from public funds. The mandate of the Auditor-General is further expounded by the Public Audit Act, 2015.

The Constitution requires the Auditor-General to audit and submit the audit reports of the public entities to Parliament and the relevant County Assemblies by 31 December, every year. In carrying out the mandate, the Auditor-General, is also required by the Constitution under Article 229(6) to assess and confirm whether the public entities have used the public resources entrusted to them lawfully and in an effective way.

Further, the objects and authority of the Auditor-General, as outlined in Article 249 of the Constitution, are: to protect the sovereignty of the people; to secure the observance by all State Organs of democratic values and principles; and to promote constitutionalism. The Auditor-General has also been given powers by the Constitution, under Article 252, to conduct investigations, conciliations, mediations and negotiations and to issue summons to witnesses for the purpose of investigations.

The mandate of the Auditor-General as enshrined in the Constitution, has been operationalized by the Public Audit Act, 2015 and the Public Finance Management Act, 2012. In addition, the Auditor-General carries out audits in accordance with the International Organization of Supreme Audit Institutions (INTOSAI) Framework of Professional Pronouncements.

1.2. Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Public Sector Accounting Standards (IPSAS), as prescribed by the Public Sector Accounting Standards Board (PSASB). Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of the Public Finance Management Act, 2012 and Section 47 of the Public Audit Act, 2015.

Management is also responsible for maintaining effective internal control environment, necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for the assessment of the effectiveness of internal control, risk management and governance.

Further, Management is required to ensure that the activities, financial transactions and information reflected in the financial statements are in compliance with the law and other relevant or applicable authorities, and that public resources are applied in an effective way.

Those charged with governance are responsible for; overseeing the 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.

1.3. Auditor-General's Responsibility

My responsibility is to conduct an audit of the financial statements in accordance with the International Standards of Supreme Audit Institutions (ISSAIs), and to issue an auditor's report. The audit report includes my opinion as provided by Section 48 of the Public Audit Act, 2015, and the report is submitted to Parliament in compliance with Article 229(7) of the Constitution.

In addition, Article 229(6) of the Constitution requires me to express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the law and other authorities that govern them, and that public resources are applied in an effective way. I also consider the entities' control environment 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.

I am independent in accordance with Article 249(2) of the Constitution of Kenya and ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of public entities in the Republic of Kenya.

1.4. Structure of the Report

The structure of my report addresses the reporting requirements of Article 229(6) of the Constitution of Kenya, which requires that an audit report shall confirm whether or not public money has been applied lawfully and in an effective way. Section 7(1)(a) of the Public Audit Act, 2015 also requires that I provide assurance on the effectiveness of internal controls, risk management and overall governance in National and County Governments entities. In addition, the International Standards of Supreme Audit Institutions (ISSAIs), require the incorporation of Key Audit Matters in the report on the financial statements, which are those matters that I determine in my professional judgment, are of most significance in the audit of the financial statements as a whole, for the year under review. In order to address these requirements, my audit reports contain the following:

- i. **Report on Financial Statements**, in which I give an audit opinion on whether the financial statements present fairly, in all material respects the financial position and performance of the entity.
- ii. **Report on Lawfulness and Effectiveness in Use of Public Resources**, in which I give a conclusion on whether or not public money has been applied lawfully and in effective way.
- iii. **Report on Effectiveness of Internal Controls, Risk Management and Governance**, in which I give a conclusion on whether internal controls, risk management and overall governance were effective.

1.5. Audit Opinions

I have expressed different types of audit opinions based on the following criteria –

Unmodified Opinion

The books of accounts and underlying records agree with the financial statements and no material misstatements were found. The financial statements present fairly, in all material respects the operations of the entity. The number of financial statements with unmodified opinion are two (2) as listed in **Appendix A**. One of the unmodified opinions was for financial statements of a Level 5 hospital while the other was for financial statements for a Level 4 hospital.

Qualified Opinion

Financial transactions recorded are to a large extent in agreement with the underlying records, except for cases where I noted material misstatements or omissions in the financial statements. The issues though material, are not widespread or persistent. The number of financial statements with qualified opinion is forty (40) as listed in **Appendix A**. Out of the forty (40), three (3) were financial statements for Level 5 hospitals while the balance of thirty-seven (37) were related to financial statements for Level 4 hospitals.

Adverse Opinion

The financial statements exhibit significant misstatements with the underlying accounting records. There is significant disagreement between the financial statements and the underlying books of accounts and/or standards. These problems are widespread, persistent and require considerable intervention by the Management to rectify them. The number of financial statements with an adverse opinion is twelve (12) as listed in **Appendix A**. Out of the twelve, four (4) were for Level 5 hospitals while eight (8) related to the financial statements of Level 4 hospitals.

Disclaimer of Opinion

The financial statements exhibit serious and significant misstatements that may arise from inadequate information, limitation of scope, inadequacy or lack of proper records, such that I was not able to form an opinion on financial operations. The number of financial statements with disclaimer of opinion is four (4) as listed in **Appendix A**. These financial statements all relate to Level 4 hospitals.

1.6. Reporting Framework

The County Government Executive has previously accounted for Level 4 and Level 5 hospitals as a single line within the IPSAS cash template. The reporting framework under IPSAS Cash does not adequately disclose financial information relevant for decision-making by the various users of financial information. The Kenyan Government has implemented several public finance management reforms in response to increased demand for greater transparency and accountability in the utilization of resources within devolved healthcare units. Among them is the improvement of financial reporting in Level 4 and Level 5 hospitals.

The Public Sector Accounting Standards Board (PSASB) in May, 2022 prescribed the International Public Sector Accounting (Accrual Basis) for application by all Level 4 and Level 5 hospitals. The Board developed and issued the financial reporting templates to assist the Level 4 and Level 5 hospitals adhere to the prescribed standards. The adoption date was set as 30 June, 2022.

1.7. Regulatory Framework

The Health Act, 2017 sought to establish a unified health system, to coordinate the inter-relationship between the National Government and County Governments health systems, and to provide for the regulation of health care services, health care service providers, health products and health technologies.

The First Schedule of the Health Act, 2017 sets out the technical classification of the levels of healthcare. Further, the Ministry of Health through the Kenya Quality Model for Health Policy Guidelines (2016), defined resourcing requirements in terms of facilities, infrastructure, services offered, and personnel requirements for each category of hospital.

The County Governments have further enacted laws and regulations to operationalize the provision of health services under their jurisdictions as provided for in the Fourth Schedule of the Constitution of Kenya, which apportions different functions between the National and County Governments.

MSAMBWENI COUNTY REFERRAL HOSPITAL - COUNTY GOVERNMENT OF KWALE

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

1. Undisclosed Balances

1.1 Omitted Revenue from Non-Exchange Transactions

The statement of financial performance reflects in-kind contributions from the County Government of Kshs.436,565,136 as disclosed in Note 7 to the financial statements. However, the amount excludes direct payment of salary to the Hospital's Universal Health Coverage (UHC) program healthcare workers by the National Government amounting to Kshs.18,120,000. In addition, the revenue excludes donations in-kind from the Global Fund amounting to Kshs.18,029,499 and 75,500 doses of Measles Rubella, Bacillus Calmette Guerin (BCG) and Oral Poliovirus Vaccines (OPV) of undetermined value.

In the circumstances, the accuracy and completeness of in-kind contributions from County Government of Kshs.436,565,136 could not be confirmed.

1.2 Revenue from Exchange Transactions

The statement of financial performance reflects Nil income from rendering of medical services as disclosed in Note 11 to the financial statements. However, review of the Hospital's Mpesa statements revealed an amount of Kshs.16,340,147 and capitation of Kshs.4,166,440 from National Health Insurance Fund (NHIF).

Further, the statement of financial performance reflects Nil other income while Note 14 to the financial statements reflects an amount of Kshs.17,044,390. The amount also differs with the National Health Insurance Fund (NHIF) claims schedules of Kshs.18,497,140 resulting in an unexplained variance of Kshs.1,452,750.

In the circumstances, the accuracy and completeness of Nil income from rendering of medical services could not be confirmed.

1.3 Undisclosed Receivables from Exchange Transactions

The statement of financial position reflects Nil receivables from exchange transactions balance. However, review of National Health Insurance Fund (NHIF) records revealed claims amounting to Kshs.14,330,700 out of which refunds amounting to Kshs.1,178,700 had not been received and were not disclosed in the financial statements.

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

2. Misstatement of Property, Plant and Equipment Balance

The statement of financial position reflects property, plant and equipment balance of Kshs.829,796. However, the Hospital acquired assets worth Kshs.921,995 which were not recorded in the asset register and were omitted from the financial statements.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.829,796 could not be confirmed.

Other Matter

3. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.451,545,321 and Kshs.393,823,321 respectively, resulting in an under-funding of Kshs.57,722,000 or 12% of the budget. Similarly, the Hospital spent Kshs.434,255,121 against an approved budget of Kshs.389,022,269 resulting in an unauthorized over expenditure of Kshs.45,232,852 or 12% of the budget.

The under-funding may have affected the planned activities thereby negatively impacting on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

4. Failure to Deduct and Remit Statutory Contributions

Review of personnel records revealed that National Social Security Fund (NSSF) contributions amounting to Kshs.613,200 were not deducted and remitted. This was contrary to Sections 19(1) and 20(1) of the National Social Security Fund Act, 2013 which requires every employer who, under a contract of service, employs one employee or more shall register with the Fund as a contributing employer and shall, register his employee or employees, as members of the Fund and pay to the Pension Fund in respect of each employee in his or her employment.

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

5. Irregular Employment

During the financial year under review, three (3) healthcare workers were employed on 2 April, 2022. However, evidence of competitive recruitment process including job advertisement, list of applicants, shortlisted candidates, minutes of the interviews and the officer's personal files was not provided for audit. This was contrary to Employment Act, 2012 Section 5 (7e) which requires an entity to have a policy for recruitment procedures, advertising and selection criteria, appointments and the appointment process job

classification and grading. The new employees were also paid salary arrears in April, 2022 amounting to Kshs.330,723 which were not explained or supported.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

6. Weak Internal Controls on Revenue

6.1 Billing System

Review of the Hospital revenue process revealed that patients are billed manually using an undefined criteria which does not give a trail for the generation of revenue billing reports so as to establish the revenue earned.

In addition, the facility's monthly service workload report indicates that during the year under review, thirty-seven (37) inpatients whose details were not disclosed left the Hospital before paying their hospital bills. Further, there is no evidence that these incidences were reported to the Hospital Management and whether the outstanding bills were recovered.

6.2 Unapproved Waivers of Patients' Bills

The Hospital waived patients bills amounting to Kshs.549,280. However, Management did not provide for audit review the written delegated authority to the officers who granted the waivers from the Accounting Officer or the receiver of revenue. This was contrary to Regulation 64(3) of the Public Finance Management (County Governments) Regulations, 2015 which provide that the accounting officer or receiver of revenue or collector of revenue shall include in the report under paragraph (1), the following details in respect of each waiver or variation; (a) the full name of each person benefiting from the waiver or variation; (b) the amount of tax, fee or charge affected by the waiver or variation; (c) the year to which the waiver or variation relates; (d) the reasons for the waiver or variation.

6.3 Unaccounted Sale of Medicines

The statement of financial performance reflects Nil revenue from sale of goods. However, during the year under review, the Hospital purchased drugs from Kenya Medical Supplies Authority (KEMSA) amounting to Kshs.13,287,113. These drugs were dispensed to patients at an undefined cost since the drugs were not included in the drugs price list provided for audit. In addition, the Hospital does not have a drug pricing policy to guide on the selling prices of drugs to patients.

In the circumstances, the effectiveness of internal controls on revenue billing, pricing and collection could not be confirmed.

7. Implementation of Universal Health Coverage

During the year under review, the National Government through the Ministry of Health supplied drugs worth Kshs.1,404,351 and recruited thirty-seven (37) healthcare workers to the Hospital under the Universal Health Coverage (UHC) program. However, the drugs delivered in the month of December, 2021 to cater for the Hospital's 1,181 enrolled UHC members appeared inadequate.

In addition, the Intensive Care Unit (ICU) has six (6) beds compared to the required twelve (12). The new born care unit has six (6) incubators against the required ten (10) and sixteen (16) ventilators at the Hospital have not been put into use due to unavailability of space in the ICU. Further, the High Dependence Unit (HDU) of three-bed capacity is unfunctional due to lack of trained healthcare workers and the Magnetic Resonance Imaging (MRI) and electrocardiogram (ECG) services are not available in the Hospital as required.

In the circumstances, access to quality and affordable health care to citizens may not be realised.

8. Expired Medical Supplies

Review of management of pharmaceuticals and non-pharmaceuticals at the Hospital revealed that 4,180 units of medicine of undetermined value had expired. In addition, the stock cards used in controlling drugs did not indicate the batch number and expiry dates to guide in issuing drugs on First Expiry First Out (FEFO) basis.

In the circumstances, effectiveness of internal controls on management of pharmaceuticals and non-pharmaceuticals could not be confirmed.

9. Lack of Approved Staff Establishment

During the year under review, the Hospital's payroll reflected a total of two hundred and forty (240) employees. However, the staff establishment incorporated in the annual work plan for the year under review indicates five hundred and forty eight (548) available positions resulting in a shortage of three hundred and eight (308) employees.

In the circumstances, the staff shortfall may affect the Hospital's ability to achieve its mandate of delivering primary health care to residents.

10. Irregular Composition of the Board and Appointment of its Members

Review of Board records, revealed seven (7) Board members were appointed on 4 May, 2018, through a gazette notice for a three (3) years term ending on 3 May, 2021. However, on 27 September, 2022 the CECM issued an internal memo to accounting officers of all Level 4 and 5 hospitals in Kwale County to continue working with the Board members until further notice despite expiry of their terms. As at 30 June, 2023, thirteen (13) months after expiry of the contracts, the Board members continued to be in the office.

Further, the Hospital Board composition did not include the Deputy County Commissioner, Sub-County Medical Services Officer, person in charge of the Hospital, and a person with knowledge and experience in finance and administration matters as required by Governance Guidelines for Hospital Management Committees for Level 4 and 5 Hospital issued by Ministry of Medical Services, 2011.

In the circumstances, the effectiveness of overall governance of the Hospital could not be confirmed.

11. Undelivered Medical Supplies

During the year under review, medical goods worth Kshs.3,327,334 were received by officers whose details were not traced in the human resource records. There was also no evidence that they were received and used at the facility. In addition, delivery notes for medical supplies amounting to Kshs.19,839,293 were not signed by persons who received them.

In the circumstances, effectiveness of internal controls on receiving medical commodities could not be confirmed.

NYERI PROVINCIAL GENERAL HOSPITAL - COUNTY GOVERNMENT OF NYERI

REPORT ON THE FINANCIAL STATEMENTS

Basis for Adverse Opinion

12. Errors in Presentation and Disclosure of the Financial Statements

Review of the annual reports and financial statements for the year ended 30 June, 2022 revealed the following errors and omissions which were contrary to the guidelines and templates prescribed by the Public Sector Accounting Standards Board: -

- i. The cover page was numbered "i" contrary to the template;
- ii. The numbering of the titles and the cross-referenced page numbers in the table of contents was inconsistent with the numbering and page numbers in the financial statements;
- iii. The financial outlook in the Report of the Medical Superintendent and financial performance in the Management Discussion Analysis report at page xxxiii, reflect Kshs.180,360,130 as hospital generated revenue while the statement of financial performance reflects an amount of Kshs.199,664,888 resulting in an unexplained variance of Kshs.19,304,758.
- iv. The guiding information at the statement of changes in net assets was not edited or deleted;
- v. The guiding information, and comparative column in disclosure Note 19 to the financial statements on repair and maintenance were not edited or deleted;
- vi. The guiding information in disclosure Note 31 to the financial statements on property, plant and equipment was not edited or deleted;
- vii. The balances in the statement of cash flows were not referenced to the disclosure notes;
- viii. At paragraph 2, "statement of compliance and basis of preparation" of notes to the financial statements at page 10 the guiding information in italics was not edited. In addition, the year of enactment of Public Finance Management Act and Nyeri County Health Services Act was not disclosed;
- ix. Pages 75,79 and 80 were left blank; and
- x. On page 19, paragraph (d) "Investment Property" the number of years for depreciating investment property was not disclosed.

In the circumstances, the annual reports and financial statements were not prepared in accordance with prescribed Public Sector Accounting Standards Board reporting templates for the year ended 30 June, 2022.

13. Inaccuracies and Inconsistencies in the Financial Statements

Review of the financial statements for the year ended 30 June, 2022 revealed the following errors and inconsistencies: -

- i. The statement of financial performance reflects transfer from the County Government of Kshs.165,508,696 while the supporting schedule reflects Kshs.35,039,442 resulting in an unexplained variance of Kshs.130,469,254;
- ii. Disclosure Note 7 to the financial statements on in-kind contributions from County Government reflects Kshs.30,911,062 while the recomputed balance reflects Kshs.39,827,921 resulting in a casting variance of Kshs.8,916,859;
- iii. The statement of financial performance reflects Kshs.199,664,888 in respect to income from rendering services while the supporting schedule reflects Kshs.213,533,354 resulting in an unexplained variance of Kshs.13,868,466.
- iv. The statement of financial performance and as disclosed in Note 25 to the financial statements reflects medical services contracts losses of Kshs.19,304,758 while the supporting schedule reflects an amount of Kshs.19,613,058 resulting in an unexplained variance of Kshs.308,300.
- v. The statement of financial performance and as disclosed in Note 15 to the financial statements reflects, medical and clinical costs of Kshs.94,800,483 while the supporting schedule reflects Kshs.79,585,171 resulting in an unexplained variance of Kshs.15,215,312.
- vi. The statement of financial performance and as disclosed in Note 19 to the financial statements, reflects repair and maintenance costs of Kshs.10,368,283 while the supporting schedule reflects an amount of Kshs.12,123,283 resulting in an unexplained variance of Kshs.1,755,000. In addition, disclosure Note 19 reflects repair and maintenance costs on property and buildings Kshs.1,107,660 while the supporting schedule reflects Kshs.2,862,660 resulting in an unexplained variance of Kshs.1,755,000;
- vii. Disclosure Note 21 reflects general expense costs of Kshs.92,584,120 while the supporting schedule reflects an amount of Kshs.72,635,486 resulting in an unexplained variance of Kshs.19,948,634;
- viii. The statement of financial performance reflects depreciation of Kshs.1,059,100 which was not added back to reserves and deducted in the capital fund at the statement of changes in net assets;

- ix. The statement of cash flows reflects total expenses of Kshs.144,460,673 being cash outflows while the statement of financial performance reflected Kshs.388,526,235 resulting in an unexplained variance of Kshs.244,065,562. Further, the balances were not explained in the disclosure notes;
- x. The statement of financial position reflects trade and other payables balance of Kshs.22,573,629 which did not have supporting schedule;
- xi. The net cash outflow on purchase of property, plant and equipment of Kshs.9,530,000 was not disclosed in the statement of cash flows. In addition, cash and cash equivalents as at 1 July, 2021 of Kshs.39,433 was not disclosed in the statement of financial position;

In the circumstances, the accuracy of the financial statements could not be confirmed.

14. Unbalanced Statement of Financial Position

The statement of financial position reflects net assets of Kshs.38,743,978 while the recomputed balance reflects Kshs.16,170,349 resulting in an unexplained variance of Kshs.22,573,629. Further, the total net assets and liabilities reflect Nil balance while the recomputed balance reflects a negative balance of Kshs.2,216,347 resulting in an unbalanced statement of financial position with an unexplained variance of Kshs.18,386,696.

In the circumstances, the accuracy of the financial statements could not be confirmed.

15. Unaccounted for Revenue

The Nyeri Health Services Act of 2015, requires transfer of 22.4% of revenue collected by Nyeri Provincial General Level 5 Hospital to the Nyeri Health Services Fund Account which translates to Kshs.44,724,935 (22.4% of Kshs.199,664,888) leaving a balance of Kshs.154,939,953. However, authority to incur expenditure of Kshs.130,508,696 was supported leaving a balance of Kshs.24,431,257 unaccounted for.

In the circumstances, the accuracy and completeness of revenue from exchange transactions of Kshs.199,664,888 could not be confirmed.

16. Unsupported Expenditure

The statement of financial performance reflects in-kind contribution of Kshs.30,911,062 which includes Kshs.14,829,963 for Pharmaceutical and Non-Pharmaceuticals and Kshs.16,081,099 for utility bills which was not supported with documentary evidence including payment vouchers. In addition, Note 20 to the financial statements reflects an expenditure of Kshs.180,360,130 in respect of grants and subsidies. However, no supporting documents were provided for audit review.

In the circumstances, the accuracy, completeness and regularity of the expenditure could not be confirmed.

17. Unclassified Expenditure

The statement of financial performance reflects grants and subsidies expenses of Kshs.180,360,130 and as disclosed in Note 20 to the financial statements. However, the expenditure was not classified in the financial statements into various budget votes or as per the chart of accounts. Further, the disclosure Note 20 to the financial statements did not give a breakdown on what the grants and subsidies relates to.

In the circumstances, the accuracy and completeness of the subsidies expenses amount of Kshs.180,360,130 could not be confirmed.

18. Inaccuracies in Cash and Cash Equivalentents

The statement of financial position reflects cash and cash equivalentents balance of Kshs.18,465,704 as disclosed in Note 27 to the financial statements. However, review of bank reconciliation and subsequent clearance of unrepresented cheques as at 30 June, 2022 revealed stale cheque of Kshs.31,488 dated 29 December, 2021 which had not been reversed in the cash book.

In the circumstances, the accuracy and completeness of the cash and cash equivalentents balance of Kshs.18,465,704 could not be confirmed.

Other Matter

19. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects receipts budget and actual on comparable basis amounts of Kshs.247,577,926 and Kshs.246,271,192 respectively, resulting in budget under realization of Kshs.1,306,734 or 0.5% of the budget. Similarly, the statement reflects an actual expenditure of Kshs.221,942,272 against an approved budget of Kshs.247,577,926 resulting in under-performance of Kshs.25,635,654 or 10.4% of the budget.

The under realization and under absorption of the budget may impact negatively on service delivery towards achieving universal health coverage.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

20. Failure to Maintain Revenue Cash Book

The income from rendering of services was collected and deposited in Health Sector Revenue Collection Account at Kenya Commercial Bank. However, Management did not maintain a revenue cash book with details on daily billings and collections (amount paid), transfers to the Fund Account, withdrawals through Authority to Incur the Expenditure (AIEs) and revenue receivables. In addition, the monthly departmental revenue schedules were not supported with detailed daily schedules on amount charged per patient. This was contrary to Regulation 100 of the Public Finance Management (County

Governments) Regulations, 2015 which provides that the Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and preparation of the accounts of the vote for which he or she is responsible.

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

21. Irregular Procurement of Food and Ration

The statement of financial performance and as detailed in Note 15 to the financial statements, reflects medical/clinical costs of Kshs.94,800,483. Included in this expenditure is Kshs.21,044,940 on food and ration which includes Kshs.2,501,000 on food items procured without providing a correct and complete description of what is to be procured to allow fair and open competition among those who participated in the procurement process. This was contrary to Section 60(1) of the Public Procurement and Asset Disposal Act, 2015, which requires the Accounting Officer to prepare specific requirements relating to the goods, works or services being procured that are clear, give a correct and complete description of what is to be procured and that allow for fair and open competition among those who may wish to participate in the procurement proceedings.

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

22. Failure to Submit Bank Reconciliation Statements

The statement of financial position reflects cash and cash equivalents balance of Kshs.18,465,704 as disclosed in Note 27 to the financial statements. However, the Management was not submitting monthly bank reconciliation statements on the 10th of the subsequent month to the County Treasury with a copy to the Auditor-General, contrary to Regulation 90(1) of the Public Finance Management (County Governments) Regulations, 2015.

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

23. Unbalanced Budget

The statement of comparison of budget and actual amounts reflects final budget income of Kshs.247,577,926 and final expenditure budget of Kshs.216,666,864 resulting in budget surplus of Kshs.30,911,062. This was contrary to Regulation 31(c and e) of the Public Finance Management (County Governments) Regulations, 2015 which provides that budget revenue and expenditure appropriations shall be balanced, total budget revenue shall cover total budget expenditure.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

24. Medical/Clinical Costs

The statement of financial performance reflects medical/clinical costs of Kshs.94,800,483 and as disclosed in Note 16 to the financial statements. However, the following anomalies were noted:

24.1 Lack of Usage Trail of Pharmaceuticals

Included in medical/clinical costs is pharmaceutical supplies of Kshs.38,962,938 which includes Kshs.20,544,035 on drugs supplied, inspected and accepted but issued in bulky to the pharmacy without control from the main store contrary to Regulation 166(4) of the Public Procurement and Asset Disposal Regulations, 2020. Further, the drugs could not be traced to specific patients and the revenue or amount charged. In addition, there was no reconciliation on received drugs, drugs issued to the patients, breakages, spillage, expired and the revenue generated.

In the circumstances, the existence of effective internal controls over the management of drugs and pharmaceuticals could not be confirmed.

24.2 Lack of Usage Trail of Laboratory Chemicals and Reagents

Included in medical/clinical costs of Kshs.94,800,483 is Kshs.9,819,211 on laboratory chemicals and reagents of Kshs.2,797,164 on x-ray/radiology supplies which were procured, received, inspected and issued in bulky to the Laboratory and X-ray department due to lack of supply chain control store equipped with freezers and refrigerators. This compromised the internal controls on the accountability of the reagents. Further, the reagents could not be traced to specific patients and the income generated/amount charged. In addition, there was no reconciliation on issued items, used items, breakages, expired and revenue generated.

In the circumstances, the control over the management of laboratory chemicals and reagents could not be confirmed.

24.3 Lack of Usage Trail of Food and Ration

Included in medical/clinical costs of Kshs.94,800,483 is food and ration of Kshs.21,044,940 which was issued to the person in charge of the kitchen in bulky on weekly basis. However, there were no weekly returns to the main stores on consumption, which is reconciled with patients' register and diet sheet.

In the circumstances, the control over the management of food and ration could not be confirmed.

25. Inadequate Staffing of Health Works

Review of records provided revealed that the Hospital had ten (10) medical officers against the fifty (50) recommended by the Kenya quality model for health which represents a deficit of forty (40) medical officers or 80%. Further, the Hospital had two (2) anesthesiologists against the recommended seven (7) representing 71% deficit, three (3) general surgeons against the required four (4) representing 25% deficit, while gynecologists were four (4) as per Kenya quality model per health. The pediatrics and radiologists were two (2) each against the recommended four (4) representing 50% deficit in each category. In addition, the Hospital had two hundred and thirty-four (234) Kenya Registered Community Health Nurses against the recommended number of two hundred and fifty (250) representing a deficit of 6% on the aggregate the Hospital had a deficit of 20% towards achieving the quality health model.

In the circumstances, the Hospital may not give the required services for a referral hospital.

26. Non-Optimal Equipping Levels at the Hospital

Review of records provided for audit revealed that the Hospital had two hundred and sixty two (262) inpatient beds from the recommended five hundred (500) representing 52% deficit, six (6) functional ICU beds from recommended twelve (12) representing 50% deficit, three (3) functional High Dependence Unit (HDU) beds from the recommended twelve (12) representing 75% deficit, five (5) functional theaters from the recommended seven (7) representing 29% deficit, five (5) new born unit with incubators from the recommended ten (10) representing 50% deficit, zero new born HDU cots from the recommended six (6) while only seven (7) out of ten (10) at Renal Unit were functional.

Further, the radiology services lacked the electroencephalogram (EEG) while specialized therapy services lacked radiotherapy services. In addition, the Hospital had not differentiated pharmacy services to include; main pharmacy, outpatient pharmacy and ward-level pharmacy resulting in slow admission of drugs and accountability of drugs.

In the circumstances, the Hospital was not operating at desired levels anticipated by the universal health coverage under quality health model.

THIKA HOSPITAL - COUNTY GOVERNMENT OF KIAMBU

REPORT ON THE FINANCIAL STATEMENTS

Basis for Adverse Opinion

27. Inaccuracies in the Financial Statements

Review of the financial statements of the Hospital for the year under review revealed the following errors and inaccuracies:

- i. The Management discussion analysis reflects actual revenues collected amounting to Kshs.363,266,275 whereas the statement of financial performance reflects Kshs.384,529,412 resulting unexplained variance of Kshs.21,263,137.
- ii. The statement of financial position reflects refundable deposits balance of Kshs.1,443,933 whereas Note 35 to the financial statements reflect Kshs.732,565 resulting to unexplained and unreconciled variance of Kshs.711,368.
- iii. The statement of financial position reflects changes in receivables, inventories, and payables as disclosed in Note 28, 30 and 34 respectively. However, the net cash flows from operating activities as disclosed in Note 41 to the financial statements did not reflect those working capital adjustments.
- iv. The balances in the statement of cash flows are not referenced to Notes to the financial statements.
- v. The statement of cash flows reflects a negative net cash flows from operating activities of Kshs.1,979,173 while Note 41 to the financial statements reflects negative Kshs.104,940,589 resulting in unexplained variance of negative Kshs.102,961,416.
- vi. The statement of financial performance reflects amounts that are at variance with the statement of cash flows figures as tabulated below:

Particulars	Statement of Financial Performance (Kshs.)	Statement of Cash Flows Amount (Kshs.)	Variance (Kshs.)
Receipts			
Transfer from the County Government	70,489,865	131,000,000	(60,510,135)
Rendering of Medical Services	384,529,412	168,788,540	215,740,872
Payments			
Medical/ Clinical Costs	311,965,642	202,305,370	109,660,272
Employee Costs	843,002,856	33,085,036	809,917,820
Repairs and Maintenance	8,222,948	8,564,668	(341,720)
General Expenses	135,534,937	57,537,889	77,997,048

In the circumstances, the accuracy and completeness of the financial statements for the year under review could not be confirmed and Management did not comply with the Public Sector Accounting Standards Board reporting template requirements.

28. Variance Between Financial Statements and Supporting Schedules

The financial statements reflect amounts that differed with the supporting schedules resulting to unreconciled variances as tabulated below:

Component	Financial Statement Amount (Kshs.)	Supporting Schedule Amount (Kshs.)	Variance (Kshs.)
In-Kind Contributions from County Government	797,008,110	-	797,008,110
Rendering of Services	384,529,412	362,789,832	21,739,580
Rent from Facilities	121,000	-	121,000

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

29. Undisclosed Transfer to Tigoni Level 4 Hospital

During the year under review, the Hospital Management transferred an amount of Kshs.12,000,000 to Tigoni Level 4 Hospital. However, the amount was not reflected in the statement of financial performance.

In the circumstances, the accuracy, completeness and fair statement of statement of financial performance could not be confirmed.

30. Unsupported Employee Costs

The statement of financial performance reflects employee costs of Kshs.843,002,856 comprising of salaries, wages and allowances amounting to Kshs.797,008,110 paid directly by the County Government of Kiambu and other employee costs of Kshs.45,994,746 relating to casual wages respectively, as disclosed in Note 16 to the financial statements. However, the supporting schedules and monthly payrolls for the salaries, wages and allowances were not provided for audit review.

In addition, salary payments of Kshs.133,000 and Pay as You Earn (PAYE) of Kshs.210,864 for the month of May, 2022 were omitted from the casual payroll and supporting schedules were not provided for audit review.

In the circumstances, the accuracy, completeness, and fair statement of employee costs of Kshs.843,002,856 could not be confirmed.

31. Unsupported Repairs and Maintenance of the Casualty Block

The statement of financial performance reflects repairs and maintenance expenses of Kshs.8,222,948 as disclosed in Note 19 to the financial statements. However, the amount includes repairs carried out at the casualty block of Kshs.2,606,923 whose bills of quantities, procurement records and certificates of work done were not provided for audit review.

In the circumstances, the accuracy and fair statement of repair and maintenance expenses of Kshs.2,606,923 could not be confirmed.

32. Unsupported Consultancy Services

The statement of financial performance reflects general expenses of Kshs.135,534,936 which includes contracted services of Kshs.57,129,858 as disclosed in Note 21 to the financial statements. Review of records revealed that the expenditure was incurred on security, laundry and cleaning services. However, contract documents, invoices and payment vouchers were not provided for audit review.

Consequently, the accuracy and completeness of expenditure on consultancy services of Kshs.57,129,858 could not be confirmed.

33. Unsupported Cash and Cash Equivalents

The Statement of financial position reflects a cash and cash equivalents balance of 7,411,681 as disclosed in Note 27 to the financial statements. However, certificates of bank balances were not provided for audit review. Further, bank reconciliation statements for the Kenya Commercial Bank-FIF account reflects unrepresented cheques of Kshs.7,923,851, out of which Kshs.399,459 was in respect PAYE dating back to 2014, which remained uncleared in the cashbook.

In the circumstances, the accuracy of cash and cash equivalent balance of Kshs.7,411,681 could not be confirmed.

34. Unsupported Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions amounting to Kshs.191,579,166 as disclosed in Note 28 to the financial statements. However, the debtors' movement schedule and general ledgers were not provided for review.

In the circumstances, the accuracy, completeness and fair statement of receivables from exchange transactions balance of Kshs.191,579,166 could not be confirmed.

35. Unsupported Trade and Other Payables

The statement of financial position reflects trade and other payable balance of Kshs.284,356,387 which comprise of trade payables of Kshs.187,451,413 and employee dues of Kshs.12,909,710 respectively. However, Note 34 to the financial statements reflects Kshs.200,361,123 resulting to unexplained variance of Kshs.83,995,263. In addition, the creditors movement schedule and the unpaid vouchers and invoices were not provided for audit review. Further, review of payables records revealed employee dues amounting to Kshs.12,909,710 which were erroneously recognized twice, thus overstating the balance by the same amount.

In the circumstance, the accuracy, completeness and fair statement of trade and other payables balance of Kshs.284,356,387 could not be confirmed.

36. Unsupported Inventories

The statement of financial position reflects inventories balance of Kshs.18,325,072. However, the stock take sheets and board of survey report in support of the balance were not provided for audit review.

In the circumstances, the accuracy, completeness and valuation of inventories balance of Kshs.18,325,072 as at 30 June, 2022 could not be confirmed.

37. Unsupported Property, Plant and Equipment

The statement of financial position and as disclosed in Note 31 to the financial statements reflects property, plant and equipment balance of Kshs.7,556,291 which was in respect of additions during the year. However, expenditure was not supported by invoices or payment vouchers. In addition, other unvalued assets such as computers, furniture, printers and other medical equipment owned by the hospital have been omitted from the financial statements.

In the circumstances, the accuracy, completeness and valuation of property, plant and equipment balance of Kshs.7,556,291 could not be confirmed.

Other Matter

38. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflect final receipts budget and actual on a comparable basis of Kshs.689,200,000 and Kshs.299,907,790 respectively, resulting in an under-funding of Kshs.389,292,210 or 44% of the budget.

Similarly, the Hospital incurred an expenditure budget of Kshs.399,968,400 against actual expenditure of Kshs.301,886,963, resulting in an under-expenditure of Kshs.98,081,437 or 32% of the budget.

In the circumstances, the under-funding and underperformance may have negatively affected implementation of the planned activities and service delivery in the Hospital.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

39. Unbalanced Budget

The statement of comparison of budget and actuals amounts for the year under review reflects Kshs.689,200,000 and Kshs.399,968,400 in respect to approved budget receipts and expenditure respectively resulting to Kshs.289,231,600 budgeted expenditures contrary to Section 33(c) of the Public Finance Management (National Governments) Regulations, 2015 which states that the budget shall be balanced.

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

40. Irregular Board Expenses

The statement of financial performance reflects board of management expenses of Kshs.394,000 as disclosed in Note 17 to the financial statements. However, review of expenditure records revealed that the chairman was paid for eleven (11) meetings and other members for between eight (8) to ten (10) meetings. This is contrary to Annexure 1 (E) of Mwongozo Code of Governance which requires board meetings to be held at least four (4) times a year and not more than four (4) months shall elapse between the date of one meeting and the date of the next meeting.

In the circumstances, Management was in breach of policy directives.

41. Late Payment of Pay as You Earn (PAYE)

Review of bank reconciliation statements revealed that included in the balance are unrepresented cheques for PAYE of Kshs.6,148,018 which had not been remitted to the revenue collecting agency. This is contrary to Section 37 of the Income Tax Act, (Cap 470) Revised 2012, which requires the payments to be made on or before the tenth day of the month following recovery.

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

42. Failure to Develop Risk Management Strategy

During the year under review, Management had not developed a risk management strategies document. This is contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall ensure that the entity develops risk management strategies, which include fraud prevention mechanism; and a system of risk management and internal control that builds robust business operations. Failure to develop a risk management strategy may

impair the effectiveness of the service delivery in managing a robust business operation of the Hospital.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

43. Weaknesses in Implementation of Universal Health Coverage (UHC) Program

Review of the Hospital's facilities and interviews with Management staff revealed difficulties in achieving the universal health coverage goals, which was attributed to the following challenges:

- i. Delays in supply of essential, drugs and surgical items from Kenya Medical Supplies Agency (KEMSA) and other medical suppliers.
- ii. Delays in disbursement of refund to the Hospital from the County Government Health Fund, from where the Hospital is expected to receive 80% of the total revenue collected.
- iii. Low staffing in the Hospital due natural attritions and non-replacement of exiting personnel despite low staff to patient ratio. Further, there is utilization of causality revenue collection leading to possible revenue loss due to lack of accountability.
- iv. Huge pending bills amounting to 200 million, as per financial statements, majority of which relates to the previous years.

In the circumstances, it was not possible to confirm if the Hospital provided all the health care needs of the Kiambu residents.

44. Inadequate National Hospital Insurance Fund (NHIF) Capitation

The statement of financial performance reflects rendering of services/medical income amount of Kshs.384,529,412 which includes Kshs.152,712,584 in respect of NHIF capitation/income. However, although the amount was transferred to the County Revenue Fund (CRF) account, the subsequent disbursement to the Hospital did not meet the eighty percent (80%) threshold.

In the circumstances, it could not be confirmed if the Hospital received all the NHIF capitation entitlement and whether required services for the NHIF members visiting the facility were rendered.

KIAMBU HOSPITAL - COUNTY GOVERNMENT OF KIAMBU

REPORT ON THE FINANCIAL STATEMENTS

Basis for Adverse Opinion

45. Variances Between Financial Statements and Supporting Schedules

The financial statements reflect amounts that differed with the supporting schedules as detailed below:

Description	Financial Statement Amount (Kshs.)	Supporting Schedule Amount (Kshs.)	Variance (Kshs.)
Rendering of Services	218,992,853	203,769,904	15,222,949
Other Income (NHIF)	124,693,531	-	124,693,531
Medical/Clinical Costs	202,225,220	101,066,130	101,159,090
Salaries and Wages	32,842,260	35,595,934	(2,753,674)
Repairs and Maintenance	6,536,820	4,388,975	2,147,845
Grants and Subsidies	6,000,000	-	6,000,000
General Expenses	50,446,737	22,361,684	28,085,053
Medical Services Contracts (Waivers and Exemptions)	17,873,500	-	17,873,500
Inventory	23,252,963	27,732,392	(4,479,429)
Property, Plant and Equipment	38,094,776	37,812,876	281,900

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

46. Unsupported Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs.414,777,620 and as disclosed in Note 28 to the financial statements. However, the supporting schedules indicating the name of debtor, services offered, invoice number and invoice amount were not provided for audit.

In the circumstances, the accuracy and completeness of the receivables from exchange transactions balance of Kshs.414,777,620 could not be confirmed.

47. Unsupported Property, Plant and Equipment Balance

The statement of financial position and as disclosed in Note 31 to the financial statements reflects property, plant and equipment balance of Kshs.38,094,776. However, the detailed schedule indicating the asset description, location, cost or valuation and relevant documentations for additions during the year was not provided for audit. Further, the

depreciation charge for the year has not been expensed in the statement of financial performance.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.38,094,776 could not be confirmed.

48. Unsupported Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.446,233,152 and as disclosed in Note 34 to the financial statements. However, the detailed schedule indicating suppliers name, goods or services supplied, invoice number and amounts was not provided for audit.

In the circumstances, the accuracy and existence of trade and other payables balance of Kshs.446,233,152 could not be confirmed.

49. Unsupported Capital Fund

The statement of financial position reflects capital fund balance of Kshs.13,863,096. However, the supporting schedule showing the build-up of the balance was not provided for audit.

In the circumstances, the accuracy and fair statement of the capital fund balance of Kshs.13,863,096 could not be confirmed.

Other Matter

50. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total revenue budget of Kshs.279,795,498 against actual revenue of Kshs.220,769,904 resulting in an under-funding of Kshs.59,025,594 or 21% of the budget. Similarly, the statement reflects total expenditure budget of Kshs.115,530,396, against actual expenditure of Kshs.59,659,607 resulting in under-expenditure of Kshs.55,870,789 or 48% of the budget.

The under-funding or underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

51. Unbalanced Budget

The statement of comparison of budget and actuals amounts for the year under review reflects an amount of Kshs.279,795,498 and Kshs.115,530,396 in respect to approved budgeted receipts and expenditure respectively. This resulted to underbudgeting the expenditures by Kshs.164,265,102, contrary to Regulation 31(c) of the Public Finance

Management (County Governments) Regulations, 2015 which requires the budget to be balanced.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

- 52.** There were no material issues relating to effectiveness of internal controls, risk management and governance.

GATUNDU HOSPITAL - COUNTY GOVERNMENT OF KIAMBU

REPORT ON THE FINANCIAL STATEMENTS

Basis for Adverse Opinion

53. Inaccuracies in the Presentation and Disclosure of Financial Statements

The annual report and the financial statements prepared and presented for audit reflected the followings errors and inaccuracies;

- i. The numbering of notes to the financial statements were not aligned to the financial statements.
- ii. The statement of financial performance reflects total revenue balance of Kshs.546,620,989, recast of the balance reflects an amount of Kshs.546,621,089 resulting in an unreconciled variance of Kshs.100.
- iii. The statement of financial performance reflects net surplus for the year balance of Kshs.54,790,155, re-computation of the balance reflects a balance of Kshs.60,410,059 resulting in an unexplained variance of Kshs.5,619,904.
- iv. The statement of financial performance reflects in-kind contributions or donations from the County Government and employee costs amount of Kshs.5,619,804 and Kshs.341,302,696, respectively. However, the disclosure note to the financial statements Note 7 and 17 reflects an amount of Kshs.341,993,306 and Kshs.10,714,926, respectively.
- v. Further, the net surplus for the year balance of Kshs.54,790,155 was not incorporated in the statement of changes in net asset and statement of financial position.
- vi. The statement of financial position reflects nil total net assets and liabilities, while the recomputed balance is a negative balance of Kshs.80,969,323 resulting in an unexplained variance of negative 80,969,323.
- vii. The statement of financial position reflects cash and cash equivalents balance of Kshs.12,685,843 while the statement of cash flows reflects a balance of Kshs.28,813,603 resulting in an unexplained and unreconciled variance of Kshs.16,127,760.
- viii. Further, the statement of comparison of budget and actual reflects total expenditure amount of Kshs.155,623,360 against re-casted expenditure of Kshs.486,211,130 resulting in an unreconciled variance of Kshs.330,587,770.
- ix. The report of the independent audit was included in the statement of financial performance and most of the headers.

- x. The Chairperson to the Board of Management did not sign the statement of the Board of Management responsibilities that includes approval of the financial statements.

In the circumstances, the accuracy, completeness, presentation, and disclosure of the financial statements could not be confirmed.

54. Unsupported Transfers from the County Government

The statement of financial performance reflects revenue from non-exchange transactions amount of Kshs.423,114,656 as disclosed in Note 6 and 7 to the financial statements. Included in the amount is transfers from the County Government amounting to Kshs.417,494,852 which differed with the supporting schedule amount of Kshs.155,623,360 resulting in an unreconciled variance of Kshs.261,871,492. Further, the amount includes in-kind contributions from the County Government of Kshs.5,619,804 whose supporting schedule was not provided for audit.

In the circumstances, the accuracy and completeness of revenue from non-exchange transactions amounting to Kshs.423,114,656 could not be confirmed.

55. Inaccuracies in the Revenue from Exchange Transactions

The statement of financial performance reflects total revenue from exchange transactions amount of Kshs.123,506,433. However, the supporting schedule reflects an amount of Kshs.120,923,988 resulting in an unreconciled variance of Kshs.2,582,445. Further, the amount includes rendering of services - medical fees of Kshs.80,219,333 that differed with Hospital revenue collection information system (Fun Soft system) amount of Kshs.79,551,383 resulting in an unreconciled variance of Kshs.667,950.

In the circumstances, the accuracy and completeness of total revenue from exchange transactions amounting to Kshs.123,506,433 could not be confirmed.

56. Unsupported Clinical Costs

The statement of financial performance reflects clinical costs amount of Kshs.110,059,605. However, the expenditure includes an amount of Kshs.107,249,335 which differed with the supporting schedule amount of Kshs.100,085,877 resulting in an unreconciled variance of Kshs.7,163,458. Further, the disclosure note to the financial statements is Note 16 and not Note 17.

In the circumstances, the accuracy and completeness of clinical costs amounting to Kshs.110,059,605 could not be confirmed.

57. Inaccuracies in the Employee Costs

The statement of financial performance reflects employee costs amount of Kshs.341,302,696. However, the schedule provided reflects County Government payroll payments and casual employees' salaries and wages amount of Kshs.343,659,898 and

Kshs.11,104,331 respectively; all totalling to Kshs.354,764,229 resulting in an unreconciled variance of Kshs.13,461,533. Further, casual employees' payroll and Hospital staff establishment were not provided for audit. In addition, the disclosure note to the financial statements is Note 17 and not Note 18.

In the circumstances, the accuracy and completeness of employee costs of Kshs.341,302,696 could not be confirmed.

58. Unsupported Expenditures

The statement of financial performance reflects repairs and maintenance cost and general expenses amount of Kshs.4,356,530 and Kshs.30,492,299, respectively totalling to Kshs.34,848,829. However, schedules and supporting documents for the expenditure were not provided for audit. Further, Note 22 to the financial statements reflects an amount of Kshs.20,311,852 in respect of general expenses resulting in an unexplained variance of Kshs.10,180,447.

In the circumstances, the accuracy and completeness of repairs and maintenance cost and general expenses amounting to Kshs.34,848,829 could not be confirmed.

59. Unsupported Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.12,685,843 as disclosed in Note 27(a) to the financial statements. However, the cash book balance for FIF account had a balance of Kshs.11,988 which differs with the financial statements balance of Kshs.490,457 resulting in an unreconciled variance of Kshs.478,469. Further, only bank reconciliation statements for two (2) accounts out of the four (4) bank accounts were provided audit.

In the circumstances, the accuracy, existence and completeness of the cash and cash equivalents balance of Kshs.12,685,843 could not be confirmed.

60. Unsupported Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs.57,346,355 which differs with Note 28 to the financial statements balance of Kshs.54,790,155 resulting in an unexplained variance of Kshs.2,556,200. Further, detailed schedules indicating the name of person, invoice number and amount owed or the individual statements were not provided audit.

In the circumstances, the accuracy, existence and completeness of receivables from exchange transactions balance of Kshs.57,346,355 could not be confirmed.

61. Irregularities in the Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.25,976,552. However, the disclosure note to the financial statements is Note 32 and not Note 33 and only reflects plant and equipment balance of Kshs.5,497,757 resulting in an unexplained variance of Kshs.20,478,795. Further, the supporting schedule indicating

description of assets, cost or valuation and ownership documents were not provided for audit.

In addition, the balance includes work in progress amount of Kshs.5,497,757 which has not been disclosed and supported by contract documents or certificate of works. In addition, Note 4(e) on summary of significant accounting policies states that; all property, plant and equipment are stated at cost less accumulated depreciation. However, during the year, no depreciation was charged and the depreciation rates adopted were not disclosed.

In the circumstances, the accuracy, completeness, presentation and disclosure of property, plant and equipment balance of Kshs.25,976,552 could not be confirmed.

62. Unsupported Trade Payables

The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.176,978,073. However, detailed schedule indicating supplier name, nature of goods or services supplied, invoice number and amount claimed by each was not provided for audit. Further, the disclosure note to the financial statements is Note 32 and not Note 36 which reflects nil balance.

In the circumstances, the accuracy, existence and completeness of trade and other trade payables balance of Kshs.176,978,073 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

63. There were no materials relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

64. Failure to Undertake Stock Taking

The statement of financial position reflects nil inventories balance and as disclosed in Note 31 to the financial statements. However, the Management did not undertake stock taking as at 30 June, 2022 contrary to Regulation 133(3) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the accountability shall only be discharged when government inventories have been consumed in the course of public business and records are available to show the consumption.

In the circumstances, internal controls over management of inventories could not be confirmed.

KAPSABET COUNTY REFERRAL HOSPITAL - COUNTY GOVERNMENT OF NANDI

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

65. Inaccuracies in Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.3,850,875 as disclosed in Note 31 to the financial statements. However, the register of fixed assets provided for audit revealed that the Hospital owns several assets which have not been valued and disclosed under the summary of fixed assets section of the financial statements.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.3,850,875 could not be confirmed.

66. Inaccuracies in the Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects Nil balance amount on budgeted revenue while the actual revenue was Kshs.110,130,170. Similarly, the Hospital spent Kshs.92,702,789 against Nil balance budget. Therefore, it was not possible to indicate revenue shortfall and the under-expenditure and this may have affected planned activities which negatively impacted on services delivery to the public.

In the circumstance, Management did not comply with the disclosure requirements issued by Public Sector Accounting Standards Board.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

67. Lack of Asset Register

During the year under review, the Hospital did not maintain a fixed asset register contrary to the provisions of Regulation 136(1) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws.

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

68. Failure to Conduct Annual Stock Taking

During the year under review, the Hospital did not carry out annual stock take. This was contrary to Section 162 (2) of the Public Procurement and Asset Disposal Act, 2015 which states that the head of procurement function shall arrange for occasional visits of

inspection to the stores, at least quarterly in each calendar year, and conduct quarterly and annual inventory and stock taking in order to ensure compliance with all respective governing laws and submit the report to the accounting officer.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

69. Lack of Policies

During the year under review, Management had not established the Information and Communications Technology (ICT) and risk management policies. This was contrary to Regulation 158(1)(a)(b) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer to ensure that the County Government entity develops risk management strategies, which include fraud prevention mechanism; and the County Government entity develops a system of risk management and internal control that builds robust business operations.

In the circumstances, the effectiveness of risk management could not be confirmed.

JARAMOGI OGINGA ODINGA TEACHING AND REFERRAL HOSPITAL - COUNTY GOVERNMENT OF KISUMU

Basis for Qualified Opinion

The financial statements presented for audit had the following anomalies:

70. Inaccuracies and Presentation Anomalies of the Financial Statements

Review of the financial statements and the supporting schedules revealed the following inaccuracies and presentation anomalies:

70.1 Inconsistency in the Header Narrations

It has been noted that the headers on pages ii to xxiv properly reflects the full name of the Hospital, while the header on the rest of the pages show the name of the Hospital as an acronym (JOOTRH).

70.2 Misstatement of Transfers from the County Government

The statement of financial performance reflects transfers from the County Government amount of Kshs.298,153,917 which, as disclosed in Note 6 to the financial statements includes Kshs.146,334,964 earned and received during the year under review, Kshs.110,080,998 earned in the previous year but received in the year under review. Although the Management explained the balance of Kshs.41,737,955 as capital relating to the previous financial year but received in the year under review, no documentation was provided in support of this amount both at the Hospital and the County Executive. Further, the two amounts of Kshs.110,080,998 and Kshs.41,737,955, totalling to Kshs.151,818,953 were not receipts for the year under review in accordance with accrual basis of accounting.

70.3 Misclassification of NHIF Claims Received

The statement of financial performance reflects transfers from other Government entities amount of Kshs.65,771,460, being amount transferred from the National Hospital Insurance Fund (NHIF) for medical and support services. Therefore, the revenue is from exchange for services rendered by the Hospital and not from transfer from other Government entities. As a result of the misclassification, transfers from other Government entities amounts of Kshs.65,771,460 may have been included in the billing to patients and recorded as revenue.

70.4 Misstatement of Rendering of Services - Medical Service Income

The statement of financial performance and statement of cash flows reflect rendering of services - medical service income amount of Kshs.126,273,642. However, the statement of financial position reflects receivables from exchange transactions balance of Kshs.16,351,590 which, according to the supporting schedule provided for audit, relates

to the year under review and which, therefore, was revenue for the year under review. Therefore, the amount of Kshs.126,273,642 is misstated by Kshs.16,351,590.

70.5 Misstatement of Medical/Clinical Costs Amount

The statement of financial performance reflects transfers from the County Government balance of Kshs.356,721,981 which, as disclosed in Note 12 to the financial statements, includes accrued expenses of Kshs.59,489,761. However, the trade and other payables balance of Kshs.108,180,106 reflected in the statement of financial position includes payables relating to the year under review amounting to Kshs.81,749,762, resulting in an unexplained variance of Kshs.22,260,001.

70.6 Misstatement of Trade and Other Payables Balance

The statement of financial position reflects trade and other payables balance of Kshs.108,180,106 which, as indicated in the supporting schedule, includes a debt of Kshs.210,000 that became due on 30 September, 2022, which therefore relates to the financial year ended 30 June, 2023.

70.7 Inaccuracies in the Statement of Cash Flows

The statement of cash flows reflects net cash flows from operating activities amount of Kshs.92,365,808, which differs with the re-computed amount of Kshs.130,499,766, resulting in an unexplained variance of Kshs.38,133,958. Further, the re-computed amount of Kshs.130,499,766 differs with Kshs.127,892,366 reflected in the supporting Note 24 to the financial statements, resulting in an unexplained variance of Kshs.2,607,400.

In addition, the statement reflects net increase/(decrease) in cash and cash equivalents balance of Nil balance which differs with the re-computed balance of Kshs.52,934,391, resulting in an unexplained variance of Kshs.52,934,391.

Further, the statement of cash flows and statement of financial position reflect cash and cash equivalents balance as at 30 June, 2022 of Kshs.50,326,991 which differs with the re-computed balance of Kshs.52,976,026, resulting in an unexplained variance of Kshs.2,649,035.

70.8 Inaccuracies in the Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects transfers from the County Government amount of Kshs.363,925,377 which erroneously includes an amount of Kshs.65,771,460 transferred from the NHIF, resulting in the misstatements of Kshs.363,925,377. The following additional anomalies were noted:

- i. The statement reflects actual medical/clinical costs amounting to Kshs.188,702,170, while the statement of financial performance a corresponding amount of Kshs.356,721,981, resulting in an unexplained variance of Kshs.168,019,811, despite the fact that the two (2) financial statements are prepared on accrual basis.

- ii. The statement also reflects total revenue budget of Kshs.610,779,714, while the approved budget provided for audit reflected a corresponding amount of Kshs.506,089,200, resulting in a variance of Kshs.104,690,514. Management has explained that the variance represents donations that were received during the financial year under review, which had not been factored in the budget. However, no reason was given for not regularising the donations through supplementary budget. Further, the amount of Kshs.104,690,514 differs with public contribution and donations budget amount of Kshs.115,638,484 reflected in the financial statements, resulting in an unexplained or unreconciled variance of Kshs.10,947,970.
- iii. The statement of comparison of budget and actual amounts reflects a revenue budget.

However, these amounts could not be verified from the approved budget which has only two (2) items under revenue budget, namely, facilities improvement fund and county allocation (equitable share) with amounts of Kshs.306,098,200 and Kshs.200,000,000 respectively, totalling to Kshs.506,098,200, resulting to an unexplained variance of Kshs.104,681,514.

- iv. The statement of comparison of budget and actual amounts reflects use of goods and services budget amount of Kshs.329,165,875, while the approved budget reflects a corresponding amount of Kshs.327,780,175, resulting in an unexplained variance of Kshs.1,385,700.
- v. The summary of the approved budget reflects capital (development) expenditure amount of Kshs.106,804,325, while the detailed expenditure budget reflects capital expenditure amount of Kshs.204,901,350 as summarized below, resulting in an unexplained and un-reconciled variance of Kshs.98,097,025.

In the circumstances, the accuracy and fair presentation of the financial statements could not be confirmed.

71. Unsupported and Inaccurate Property, Plant and Equipment Balance

The statement of financial position reflects property, plant and equipment balance of Kshs.77,565,375 which, as disclosed in Note 22 to the financial statements, represents assets acquired during the year under review (additions). However, the balance excludes values of land, motor vehicles and ICT equipment. This is despite the fact that the Hospital sits on a parcel of land, had ambulances and other types of vehicles, and various types of ICT equipment, including computers and networking infrastructure. Further, the fixed assets register provided for audit reflected various items of property, plant and equipment with nil values. Although the balance includes Nil amount in respect of capital work in progress, Annex III on status of projects implementation indicates that Radiotherapy Centre and Neuro-surgical Ward costing Kshs.165,622,113 and Kshs.18,226,440 were still in progress with completion levels of 62% and 88% respectively. In addition, the statement of financial position reflects trade and other payables balance of

Kshs.108,180,106 which includes retention moneys of Kshs.6,696,968 relating to construction of non-residential buildings.

In addition, the title deed for the parcel of land occupied by the Hospital was not provided for audit.

Management has indicated that all buildings, equipment and furniture in use before 1 July, 2021 had not been accounted for since they were inherited from the Ministry of Health and had not been valued by 30 June, 2022.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.77,565,375 could not be confirmed.

72. Unsupported Waivers and Exemptions

The statement of financial performance reflects revenue from exchange transactions amount of Kshs.126,484,742 which is net of waivers and exemptions of Kshs.16,660,803 and Kshs.3,240,140 respectively, totalling to Kshs.19,900,943. However, the documentation detailing the process and approvals of granting these waivers and exemptions were not provided for audit.

In the circumstances, the accuracy and completeness of the revenue from exchange transactions of Kshs.126,484,742 and the legality of granting the waivers and exemptions of Kshs.19,900,943, could not be confirmed.

73. Unsupported Bank Balance in Retention Fund Account

The statement of financial position reflects cash and cash equivalents balance of Kshs.50,326,991 which, as disclosed in Note 19 to the financial statements, includes a balance of Kshs.6,696,968 held in a Co-operative Bank Account, whose supporting certificate of bank balance, cash book and bank reconciliation statement were not provided for audit. Further, although the balance of Kshs.6,696,968 relates to contractors' retention money, it was banked in a current account as indicated in Note 19, instead of a deposits account.

In the circumstances, the accuracy and completeness of the retention account balance of Kshs.6,696,968 could not be confirmed.

Other Matter

74. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects budgeted expenses and actual on comparable basis amounts totalling to Kshs.506,098,200 and Kshs.444,584,162 respectively, resulting in an under-expenditure of Kshs.61,514,038 or 12% of the budget.

The under-expenditure affected planned activities and may have negatively impacted on service delivery to the public.

Basis for Conclusion

75. Lack of Statute Guiding Existence and Operations of the Hospital

Review of laws relating to County Government entities revealed that there is no Act of Parliament or of County Assembly regulating or guiding the establishment and operations of health facilities in the Counties, despite the fact that health services, including, in particular county health facilities and pharmacies are county governments' functions under Article 2 (a) of Part 2 of the Constitution of Kenya, 2010.

In the circumstances, it has not been possible to establish whether the existence and operation of the Jaramogi Oginga Odinga Teaching and Referral Hospital - County Government of Kisumu is legal.

76. Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.108,180,106 as disclosed in Note 23 to the financial statements. However, review of the supporting aging analysis provided for audit revealed that the balance includes payables amounting to Kshs.26,220,344 that had been outstanding for more than one (1) year. Management has provided payment documents showing that out of the balance of Kshs.108,180,106, an amount of Kshs.10,185,318 had not been repaid since 30 June, 2022. This is contrary to Section 156(4)(d) of the Public Finance Management Act, 2012, which states that 'a public officer or accounting officer engages in improper conduct in relation to a County Government entity if the officer fails, without reasonable excuse, to pay eligible and approved bills promptly in circumstances where funds are provided for'.

In the circumstances, Management was in breach of the law. Also, suppliers of goods may withdraw or withhold supply to the Hospital, which may adversely affect the operations of the Hospital.

77. Failure to Implement E-Procurement System

During the year under review, the Hospital Management did not fully implement E-Procurement nor complied with all the requirements of the Executive Order No. 2 of 2018. It was noted that tenders were maintained and publicized on Hospital's website and bids could be submitted through the same website. This was contrary to the Executive Order No. 2 of 2018 which requires the Hospital to maintain and continuously update, through the websites of e-Citizen, Public Procurement Regulatory Authority platforms, public notice boards and/or official government publications, a complete information of all tenders, and that the Hospital, updates and publicize a separate comprehensive list of all registered suppliers, contractors and consultants in the various specific categories of goods, works and/or services pre-qualified to its procurement needs and consolidated and published the information above by 15th day of every subsequent month, outlining the tender and supplier data for the previous month,

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

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

Verification of services offered, equipment used and number of members of staff at the Hospital revealed that during the year under review, the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits as analyzed in the table below:

Personnel	Level 5 standard	Actual Numbers	Deficit
Medical Officers	50	10	40
Anesthesiologists	7	3	4
General Surgeons	4	2	2
Gynecologists	4	4	0
Pediatrics	4	3	1
Radiologists	4	4	0
Kenya Registered Community Health Nurses	250	165	85

Further, the Hospital had deficits in services and equipment as indicated in the table below:

Services	Standard	Observation	Deficit
Functional ICU Beds	12	6	6
Functional HDU Beds	12	0	12
Intensive Care Unit with at least 12 ICU Beds	12	13 ICU beds, only 6 are functional	6
High Dependency Unit with at least 12 Beds	12	No HDU	12
Seven (7) Operating Theatres	7	6	1

In the circumstances, the classification of the Hospital as a Level 5 Hospital may be irregular. Also, Universal Health Coverage may not be effectively delivered at the Hospital.

79. Lack of Properly Maintained Motor Vehicles Repairs Log Books

The statement of financial performance reflects repairs and maintenance amount of Kshs.20,366,421 which as disclosed in Note 15 to the financial statements includes motor vehicle expenses amount of Kshs.6,270,000. However, the log books provided for audit did not have records of maintenance, repairs and replacement in respect of each motor vehicle.

In the circumstances, the true mechanical condition of the motor vehicles and their serviceability could not be confirmed. Further, value for money may not have been realized on motor vehicle expenses amount of Kshs.6,270,000.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

80. Failure to Establish an Audit Committee and Operational Internal Audit Unit

During the year under review, the Hospital did not establish an audit committee. Further, no evidence to confirm that the Hospital was audited by the Internal Audit Unit from the County Executive of Kisumu was provided for audit. This was contrary to Regulation 167(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires each County Government entity to establish an Audit Committee.

In the circumstances, the Hospital operated without a mechanism for assessing and mitigating financial and operational risks.

KISII TEACHING AND REFERRAL HOSPITAL - COUNTY GOVERNMENT OF KISII

REPORT ON THE FINANCIAL STATEMENTS

Unqualified Opinion

81. There were no material issues noted during the audit of the financial statements.

Other Matter

82. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget of Kshs.377,773,692 and actual on comparable basis amount of Kshs.362,781,200 resulting in an under-funding of Kshs.14,992,492. Similarly, the Hospital spent an amount of Kshs.362,872,220 against an approved expenditure budget of Kshs.377,773,692, resulting in an under- expenditure of Kshs.14,901,472.

The under-funding and underperformance affected the Hospital's planned activities and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

83. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

84. There were no material issues relating to effectiveness of internal controls, risk management and governance.

LUNGALUNGA SUB-COUNTY HOSPITAL - COUNTY GOVERNMENT OF KWALE

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

85. Undisclosed Revenue from Exchange Transactions - Medical Services Income

The statement of financial performance reflects Nil amount of revenue earned from rendering of services while Note 11 to the financial statements reflects an amount of Kshs.12,656,455 resulting in unreconciled variance of Kshs.12,656,455. In addition, the revenue billing reports for the year under review were not generated.

In the circumstances, the accuracy and completeness of revenue from rendering of services of Nil amount could not be confirmed.

Other Matter

86. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.143,052,415 and Kshs.128,911,747 respectively, resulting in an under funding of Kshs.14,140,668 (or 10%) of the budget. Similarly, the Hospital spent Kshs.127,622,107 against an approved budget of Kshs.129,492,283 resulting in an optimal utilization of the budget.

The under-funding affected the planned activities and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

87. Irregularities in the Contract for Construction of Maternity Wing

The Hospital awarded the contract for the construction and completion of maternity wing at a contract sum of Kshs.14,075,474, through an open tender advertised on 9 February, 2022 and closed on 17 February, 2022. However, the tender opening minutes were signed on 14 February, 2022 by the opening committee members, which was three (3) days before the official tender closure. No explanation was provided for the anomaly. In addition, the contract sum of Kshs.14,075,474 exceeded the approved budget estimate amount of Kshs.10,551,194 by Kshs.3,524,280 or 33%. This was contrary to Section 53(8) of the Public Procurement and Asset Disposal Act, 2015 which states that an accounting officer shall not commence any procurement proceeding until satisfied that sufficient funds to meet the obligations of the resulting contract are reflected in its approved budget estimates.

Further, physical verification of the project in June, 2023 revealed that two (2) doors, seven (7) hand driers and five (5) alarm system installation amounting to Kshs.419,600 were paid for but they were not delivered.

In the circumstances, Management was in breach of the law and value for money of the project could not be confirmed.

88. Irregular Payment of Non-Practicing Allowance

During the year under review, the Hospital paid four (4) doctors non-practising allowances amounting to Kshs.1,536,000. However, the Hospital's work schedule indicated that the doctors were scheduled to work for two (2) to three (3) days in a week despite being fulltime employees and earning non-practising allowance.

In the circumstances, value for money on the expenditure of Kshs.1,536,000 on non-practising allowance could not be confirmed.

89. Unsupported Renovation Works

The Hospital incurred an expenditure of Kshs.397,450 on 16 February, 2022 for renovation of staff toilet's septic tank, replacement of sinks, doors, plumbing work and floor tilling. However, the bill of quantities and measurement certificate for work done were not provided for audit.

In addition, physical verification in the month of June, 2023 revealed that the toilet was not in use and the water taps fitted were broken.

In the circumstances, value for money on expenditure of Kshs.397,450 could not be confirmed.

90. Ineffective Management of Universal Health Coverage

The Hospital engaged thirteen (13) healthcare workers under Universal Health Coverage (UHC) Program on contracts. However, the contracts had expired and had not been renewed as at the time of audit in June, 2023.

In addition, the Kenya Quality Model for Health requires a Level 4 hospital to have five (5) new born unit incubators, a renal unit with five beds, a functional Intensive Care Unit (ICU) and High Dependency (HDU) with a six-bed capacity each and two functional operating theatres. However, the Hospital had only one functional theatre and the ICU, HDU, renal unit and pediatric ward have not been established. Also, the Hospital had a sixty-five (65) bed capacity against the required one hundred and fifty (150), surgical services were not available and gynecological services were being performed only twice a week.

In the circumstances, the effectiveness of management of Universal Health Coverage (UHC) program to ensure quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines could not be confirmed.

91. Failure to Conduct Annual Stock Take

During the year under review, the annual stock take was not conducted to confirm the closing balances of inventories as at 30 June, 2022. This was contrary Regulation 32(1)(a) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer of a county government entity shall take full responsibility and ensure that proper control systems exist for assets and that preventative mechanisms are in place to eliminate theft, security threats, losses, wastage and misuse.

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

92. Failure to Deduct and Remit Statutory Contributions

Review of the staff payroll for the financial year under review revealed that the National Social Security Fund (NSSF) contributions amounting to Kshs.85,200 in respect of twenty (20) employees were not deducted and remitted. This was contrary to Section 19(1) and Section 20(1) of the National Social Security Fund 2013.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

93. Inadequacies in Revenue Billing System

An audit walkthrough of the Hospital revenue processes revealed that patients were billed manually and in undefined criteria. Therefore, there were no revenue billing reports to establish the revenue earned in rendering of services – medical service income and as per the requirements of International Public Sector Accounting Standards (IPSAS) accrual basis of accounting.

In addition, the facility's monthly service workload report indicates that forty-three (43) anonymous inpatients who had accumulated undisclosed amounts of hospital bills left from the Hospital wards before making payments. However, there is no evidence that the incidences were reported to the Hospital Management and whether the outstanding bills were recovered.

In the circumstances, the effectiveness of internal controls in revenue billing and management of patients with accumulated bills could not be confirmed.

94. Unaccounted Sale of Medicines

During the year under review, the Hospital dispensed drugs to patients based on the price list contained in the Hospital's Service Charter. However, the selling prices for five (5) dispensed drugs amounting to Kshs.2,077,994 were not included in the Hospital's price lists.

In addition, there was no evidence that the Hospital's Service Charter was approved by the Hospital Management Board.

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

95. Under Staffing

During the year under review, the Hospital's payroll revealed a total of seventy-five (75) employees against the Hospital's Annual Work Plan number of two hundred and eighty-nine (289) employees. This resulted to unexplained variance of two hundred and fourteen (214) staffs. In addition, the approved staff establishment for the Hospital was not provided for audit.

In the circumstances, the Hospital may not be able to provide optimal services required for a Level 4 hospital.

96. Irregular Dispensing of Drugs to Private Hospitals

During the year under review, the Hospital received free Global Fund commodities amounting to Kshs.933,949 in respect to Tuberculosis (TB) drugs which were required to be dispensed to patients free of charge. However, the drugs were dispensed to private health facilities for utilization by patients registered in those facilities. Further, there were no records for inter-facility transfers indicating the value of all drugs dispensed to the private facilities.

In the circumstances, the effectiveness of internal controls on drug management and regularity of the transfers could not be confirmed.

97. Irregular Composition of the Board and Appointment of its Members

The annual report of the Hospital for the year ended 30 June, 2022 indicated that the Board of Management comprised nine (9) members who were appointed for a three (3) year term starting 4 May, 2018 to 4 May, 2021. However, on 27 September, 2022, the County Executive Committee Member (CECM) for Health Services issued an internal memo to the Accounting Officers of all Level 4 and 5 hospitals in Kwale County to continue working with the Board Members until further notice despite the expiry of their terms. As at 30 June, 2023, thirteen (13) months after expiry of the contracts, the Board members continued to be in the office.

Further, the Hospital Board composition did not include the Deputy County Commissioner, Sub-County Medical Services Officer, person in charge of the hospital, and a person with knowledge and experience in finance and administration matters as required by Governance Guidelines for Hospital Management Committees for Level 4 and 5 Hospital issued by Ministry of Medical Services, 2011.

In the circumstances, the effectiveness of overall governance of the Hospital could not be confirmed.

98. Weakness in Issuance and Storage of Medical Supplies

Review of management of pharmaceuticals and non-pharmaceuticals commodities at the Hospital revealed that 1,842 drug units of undetermined value had expired. In addition, the stock cards used to issue drugs to various departments in the Hospital did not indicate the batch number and the expiry dates of the drugs. It was therefore difficult to establish whether the issuance of drugs was on First Expiry First Out (FEFO) basis.

Further, physical verification revealed inadequate shelves to store pharmaceutical drugs which resulted in keeping them in boxes. Also, the air conditioner in the store was not functioning.

In the circumstances, effectiveness of internal controls on issuance and storage of medical supplies could not be confirmed.

KWALE SUB-COUNTY HOSPITAL - COUNTY GOVERNMENT OF KWALE

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

99. Inaccuracies of In-Kind Contributions

The statement of financial performance reflects in-kind contributions from the County Government of Kshs.232,843,448 as disclosed in Note 7 to the financial statements. However, the amount excludes pharmaceuticals and non-pharmaceuticals from Kenya Medical Supplies Authority (KEMSA) and Mission for Essential Drugs and Supplies (MEDS) worth Kshs.16,776,091 paid for by the County Government. The amount also omits free Global Fund commodities to fight Tuberculosis, HIV and Malaria amounting to Kshs.17,555,447.

In the circumstances, the accuracy and completeness of the in-kind contributions from the County Government amount of Kshs.232,843,448 could not be confirmed.

100. Undisclosed Revenue from Exchange Transactions

The statement of financial performance reflects Nil amount on rendering of services - medical service income as disclosed in Note 11 to the financial statements. However, review of Mpesa pay bill revealed revenue collection of Kshs.6,022,139.

In the circumstances, the accuracy and completeness of Nil amount on rendering of services – medical service income could not be confirmed.

101. Undisclosed Receivables from Exchange Transaction

The statement of financial position as disclosed in Notes 28 reflects Nil balance on receivables from exchange transactions. However, review of documents revealed that the Hospital prepared National Health Insurance Fund (NHIF) claims amounting to Kshs.8,129,500 but only Kshs.7,282,400 was refunded, resulting in a balance of Kshs.847,100 which was not disclosed in the financial statements. Further, the contract agreement between the Hospital and the NHIF indicating the terms and conditions of operations was not provided for audit.

In the circumstances, the accuracy and completeness of the Nil balance on receivables from exchange transactions could not be confirmed.

102. Inaccuracies in General Expenses

The statement of financial performance reflects general expenses amount of Kshs.8,860,115 as disclosed in Note 21 to the financial statements.

Included in this amount is Kshs.1,098,285 on travel and accommodation allowance while the supporting ledger reflects Kshs.752,185 resulting in an unexplained variance of

Kshs.346,100. In addition, the amount includes motor vehicle running expense of Kshs.671,112 which was not supported by a ledger.

In the circumstances, the accuracy and completeness of general expenses amount of Kshs.1,769,397 could not be confirmed.

103. Unsupported Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.358,740 as disclosed in Note 31 to the financial statements. However, the balance omitted additions for the year amounting to Kshs.1,175,300. In addition, the Hospital did not have a depreciation policy.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.358,740 could not be confirmed.

Other Matter

104. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.257,003,448 and Kshs.234,861,448 respectively, resulting in an under-funding of Kshs.2,214,200 or 8% of the budget. Similarly, the Hospital spent Kshs.229,733,170 against an approved budget of Kshs.234,876,820 resulting in an under-absorption of Kshs.5,143,650 or 2% of the budget.

The under-funding and under-expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

105. Non-Compliance with the Public Sector Accounting Standards

The statement of financial performance, the statement of financial position, the statement of changes in net assets, the statement of cash flows, and the statement of comparison of budget and actual amounts omitted the name of the Hospital in the headers.

In the circumstances, the financial statements have not been prepared in accordance with the reporting template and guidelines issued by the Public Sector Accounting Standards Board.

106. Failure to Deduct and Remit Statutory Contributions

Review of staff payrolls revealed that National Social Security Fund (NSSF) contributions amounting to Kshs.488,800 were not deducted and remitted. This was contrary to Sections 19(1) and 20(1) of the National Social Security Fund, 2013 which requires every

employer who, under a contract of service, employs one employee or more shall register with the Fund as a contributing employer and shall, register his employee or employees, as members of the Fund and pay to the Pension Fund in respect of each employee in his or her employment.

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

107. Irregular Waivers of Patient Bills

The Hospital waived patients bills amounting to Kshs.549,280. However, Management did not provide for audit review the written delegated authority to the officers who granted the waivers from the Accounting Officer or the receiver of revenue. This was contrary to Regulation 64(3) of the Public Finance Management (County Governments) Regulations, 2015 which provide that the accounting officer or receiver of revenue or collector of revenue shall include in the report under paragraph (1), the following details in respect of each waiver or variation; (a) the full name of each person benefiting from the waiver or variation; (b) the amount of tax, fee or charge affected by the waiver or variation; (c) the year to which the waiver or variation relates; (d) the reasons for the waiver or variation.

In addition, there was no assessment report indicating the patient's inability to pay for the services rendered or a quarterly report submitted to the County Treasury and the Auditor-General.

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

108. Irregular Procurement of Furniture

Review of procurement documents revealed purchase of six (6) tables and ten (10) chairs at Kshs.385,365 through request for quotations. However, no appointment letters for the adhoc opening and evaluation committees, no professional opinion, and minutes of the committees as required by Regulation 91(2) of the Public Procurement and Asset Disposal Regulations, 2020 were provided for audit. In addition, the stores ledger and fixed assets register were not provided to confirm the receipt and issue of the assets. Physical verification of furniture on 16 May, 2023 revealed they were not tagged for ease of identification.

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

109. Poor Management of Medical Supplies

During the year under review, it was noted that Kenya Medical Supplies Authority (KEMSA) and Mission for Essential Drugs and Supplies (MEDS) delivered medical supplies to the Hospital between July, 2021 and June, 2022. However, supplies amounting to Kshs.3,989,039 were received without the involvement of inspection and acceptance committee which should include a pharmacist or appointed specialist.

In addition, there was no evidence that supplies amounting to Kshs.1,743,814 were received by Hospital staff and the items were not taken on charge in the stores.

Further, delivery notes for medicine supplies amounting to Kshs.978,869 were not initialed by Hospital staff.

In the circumstances, value for money on the medical supplies could not be confirmed.

110. Poor Implementation of Universal Health Coverage

Review of documents revealed that the Hospital received drugs worth Kshs.550,355 for the implementation of Universal Health Coverage. However, the amount appeared to be insufficient to sustain the program. Further, the status of the employment contracts for the deployed healthcare workers under this program could not be established.

In addition, review of the stock records revealed that the Hospital experienced stock outs of essential medical supplies ranging between eight (8) to one hundred and seventeen (117) days and there was no minimum re-order level policy on replenishment of medical supplies.

In the circumstances, the attainment of Universal Health Coverage may not be achieved which may impact negatively on service delivery to the public.

111. Unsupported Payment for Drugs

Review of documents revealed that the Hospital ordered from Kenya Medical Supplies Authority (KEMSA) 12,685 units of drugs costing Kshs.1,311,970 but 18,750 units costing Kshs.2,153,820 were delivered resulting into an oversupply of 6,065 units at a cost of Kshs.841,850 which were not supported by a Local Purchase Order.

In the circumstances, the regularity of the payment for the additional 6,065 units of drugs costing Kshs.841,850 could not be confirmed.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

112. Weak Internal Controls in Revenue Collection

The Hospital's monthly service workload report indicated that a total of 52,533 patients were registered but only 15,106 patients made cash payments amounting to Kshs.6,022,130. The resulting variance of 37,427 patients was not explained and could not be attributed to NHIF care. In addition, the report indicates that twelve (12) inpatients whose details were not disclosed left the Hospital before making payments. Further, there was no evidence that the cases were reported to Management and how the outstanding amounts would be recovered.

In the circumstances, the effectiveness of Hospitals internal controls on revenue collection could not be confirmed.

113. Shortage of Healthcare Workers

Review of the Hospital's processes revealed that it did not have an approved staff establishment to determine the optimal number of staff. However, the draft staff establishment indicates total staff requirement of two hundred and eighty-two (282) against the in-post of one hundred and sixty-four (164), resulting in a shortage of one hundred and eighteen (118) employees, out of which one hundred and one (101) are healthcare workers.

In the circumstances, the Hospital may lack capacity to provide primary healthcare services intended for a Level 4 Hospital.

114. Irregular Composition of Board and Appointment of its Members

The Hospital's Board of Management had nine (9) members appointed on 04 May, 2018 for a three (3) years term ending on 03 May, 2021. However, on 27 September, 2022 the CEC Member for Health Services issued an internal memo to the Accounting Officers of all Level 4 and 5 Hospitals in Kwale County to continue working with the then current Board members until further notice. As at 30 June, 2023, thirteen (13) months after expiry of the contracts, the Board members continued to be in office.

Further, the Hospital Board composition did not include Deputy County Commissioner, Sub-County medical services officer, person-in-charge of the Hospital, and a person with knowledge and experience in finance and administration matters as required by the Governance Guidelines for Hospital Management Committees for Level 4 and 5 Hospital, 2011 issued by Ministry of Medical Services.

In the circumstances, the effectiveness of Hospital overall governance could not be confirmed.

115. Expired Drugs

Review of management of pharmaceuticals and non-pharmaceuticals commodities at the Hospital revealed that 1,249 drug units of undetermined value had expired. In addition, the stock cards used to issue drugs to various departments in the Hospital did not indicate the batch number and the expiry dates of the drugs. It was therefore difficult to establish whether the issuance of drugs was on First Expiry First Out (FEFO) basis.

In the circumstances, effectiveness of internal controls on issuance and storage of medical supplies could not be confirmed.

KINANGO SUB-COUNTY HOSPITAL - COUNTY GOVERNMENT OF KWALE

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

116. Unsupported Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.578,757 which relates to house hold appliances, office furniture and medical equipment procured during the year as disclosed in Note 25 to the financial statements. However, physical verification revealed other assets which include land and buildings, specialized and non-specialized medical equipment, furniture and fittings, motor vehicles and ICT equipment which have not been disclosed in the financial statements.

Further, the assets register did not indicate the assets' historical costs, depreciation charges, accumulated depreciation and net book values, conditions, useful lives and disposal dates.

In the circumstances, the accuracy, completeness and valuation of property, plant and equipment balance of Kshs.578,757 could not be confirmed.

117. Undisclosed Revenue

The statements of financial performance reflects Nil amount on revenue from exchange transactions. However, during the year under review, the Hospital collected revenue from rendering of services - medical fees, amounting to Kshs.9,274,986 and rental revenue from facilities amounting to Kshs.66,400 which were not disclosed in the financial statements.

In the circumstances, the accuracy and completeness of revenue from rendering services – medical fees amount of Kshs.9,274,986 and rental revenue from facilities of Kshs.66,400 could not be confirmed.

118. Undisclosed In-Kind Contributions

The statement of financial performance reflects in kind contributions from the county government amount of Kshs.240,076,653 as disclosed in Note 15 to the financial statements. However, the Hospital recorded under Universal Health Coverage Programme pharmaceuticals and non-pharmaceuticals supplies worth Kshs.799,886 from Kenya Medical Supplies Authority (KEMSA) and seven (7) medical personnel paid for by the Ministry of Health which were not disclosed in the financial statements.

In the circumstances, the accuracy and completeness of in-kind contributions/donation from the county government of Kshs.240,076,653 could not be confirmed.

119. Unsupported Employee Costs

The statement of financial performance reflects employee costs of Kshs.185,742,040 as disclosed in Note 17 to the financial statements. Review of the payroll, revealed payment of salary arrears of Kshs.1,056,447 which was not supported.

In the circumstances, the accuracy and completeness of employee cost amounting to Kshs.1,056,447 could not be confirmed.

120. Unsupported Patients' Food

The statement of financial performance reflects an amount of Kshs.39,950,574 on clinical costs which as disclosed in Note 16 to the financial statements includes an amount of Kshs.8,534,046 on patients' food rations/catering expenses. However, review of payment records revealed amount of Kshs.7,642,947 which was not supported with procurement records such as request for quotations, quotation opening register, committees' minutes on opening and evaluation, evaluation reports, inspection and acceptance reports on goods delivered.

In the circumstances, the accuracy and completeness of patients food rations/catering expenses of Kshs.7,642,947 could not be confirmed.

121. Unsupported Repairs and Maintenance

The statement of financial performance reflects an amount of Kshs.2,902,464 on repairs and maintenance expenditure as disclosed in Note 20 to the financial statements reflects. However, payments amounting to Kshs.1,366,090 were not supported with procurement records such as request for quotations, quotation opening register, committees' minutes on quotation opening and evaluation, evaluation reports, inspection and acceptance reports on goods delivered.

In the circumstances, the accuracy and completeness of repairs and maintenance amount of Kshs.1,366,090 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

122. Non-Compliance with the Budgeting Process

During the year under review, budget estimate on revenue and expenditure was not prepared but an annual work plan was presented for audit.

However, the plan provided did not indicate the authority for its preparation and there was no evidence that the plan was forwarded to the Hospital Board of Management, the County Department of Health and the County Treasury for review, recommendations and approval. This was contrary to the National Treasury Circular No.15/2016 of 19 August, 2016 which required all Accounting Officers to submit their budget estimates to the Parent Ministry/Departments for their comments and recommendations and approval.

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

123. Failure to Prepare Procurement Plan

During the financial year under review, Management did not prepare and submit its annual procurement plan to the County Department of Health and Medical Services for review and consolidation. This was contrary to the requirements of Regulation 40 of the Public Procurement and Asset Disposal Regulations, 2020 which requires a procuring entity to prepare a procurement plan for each financial year as part of annual budget process.

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

124. Non-Competitive Procurements

Note 16 to the financial statements reflects patients' food and catering expenses of Kshs.8,534,046 out of which items amounting to Kshs.7,605,447 (or 89%) were procured from one supplier. This was contrary to Section 106(2b) of the Public Procurement and Asset Disposal Act, 2015 which states that the request shall be given to as many persons as necessary to ensure effective competition and shall be given to at least three persons, unless that is not possible.

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

125. Staff Earning Less than One-Third of the Basic Pay

The statement of financial performance and as disclosed in Note 17 to the financial statements reflects employee costs of Kshs.185,742,040. Review of the payroll revealed that five (5) staff earned net salaries which were less than one third of their basic pay. This was contrary to Section 19(3) of Employment Act, 2007 which provides that the total amount of all deductions which under the provisions of sub-section (1), may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages.

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

126. Non-Deduction and Remittance of Contributions

The statement of financial performance reflects employee costs of Kshs.185,742,040 as disclosed in Note 17 to the financial statements. Review of the payroll revealed that ninety-nine (99) staff were not being deducted NSSF contributions. This was contrary to Section 20(1) of the National Social Security Fund Act, 2013 which provides that from the commencement date, an employer shall pay to the Pension Fund in respect of each employee in his or her employment; (a) the employer's contribution at six per centum of the employee's monthly pensionable earnings; and (b) the employee's contribution at six per centum of the employee's pensionable earnings deducted from the employee's earnings.

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

127. Understaffing of Medical Personnel

Review of staff establishment records and interviews revealed understaffing by forty-four (44) staff after comparing the standard requirements under Kenya Quality Model for Health Level 4 and 5 Hospitals and the actual personnel engaged by the Hospital.

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

128. Non-Compliance on Biomedical Waste Management

Audit review established that non-sensitive Hospital waste was accumulated at a dump site adjacent to a non-functioning incinerator where it is later burnt. The sensitive biomedical waste is accumulated and transported to Msambweni Sub-County Hospital for disposal. However, there was no evidence that Management had complied with NEMA Waste Management Regulations, 2006 on biomedical waste management on; requirement for environmental impact assessment from biomedical waste generator, approval of biomedical waste generating activity, monitoring by a lead agency and requirement for environmental audits.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

129. Expired Tenure of Board of Management

During the year under review, the Hospital had nine (9) members in the board of management whose tenure expired in May, 2021. However, there was no evidence that their contracts were renewed.

In addition, the board minutes provided were not signed by the Chairman, Secretary or any board member.

In the circumstances, the effectiveness of overall governance could not be confirmed.

130. Lack of Risk Management Framework

During the year under review, the Hospital operated without a documented risk management policy framework. In addition, there was no evidence of risk identification, risk assessment and evaluation of likelihood of risk occurrence and its impact on entities' operation.

In the circumstances, effectiveness of risk management system at the Hospital could not be confirmed.

131. Lack of an Approved Disaster Recovery Plan

The Hospital operated an Information Technology (IT) system for capturing, storing and processing fees. In addition, the Hospital was responsible for custody of sensitive medical data of patients seeking its services alongside other operational data such as pharmaceutical and non-pharmaceutical inventory management activities. However, the Hospital did not have an approved IT continuity plan and disaster recovery plan.

In the circumstances, the effectiveness of disaster management could not be confirmed.

132. Failure to Establish Internal Audit Unit and Audit Committee

The Hospital has not established an audit committee and internal audit function. This was contrary to Regulation 167(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires County Government entities to establish audit committees in accordance with prescribed regulations to monitor the entities governance process, accountability process and control systems, offer objective advice on issues concerning risk, control, regulatory requirements and governance.

In the circumstances, the effectiveness of internal controls and risk management could not be confirmed.

133. Failure to Carry Out Stock Take

The Hospital operates equipped stores for pharmaceuticals, non-pharmaceuticals, kitchen and nutrition department, cleaning and laboratory items and equipment. However, no evidence was provided to show that stock taking exercise was conducted as at the end of the financial year. As a result, Management was not in position to identify, separate and account for the inventories and were not disclosed in the financial year.

In the circumstances, the internal controls on management of pharmaceuticals and non-pharmaceuticals could not be confirmed.

MWINGI HOSPITAL - COUNTY GOVERNMENT OF KITUI

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

134. Inaccuracies in the Presentation and Disclosures in the Financial Statements

Review of the annual reports and the financial statements presented for audit revealed the following errors and omissions: -

- i. The list of board of directors does not include the director's photo, name and key profession/academic qualifications;
- ii. The list of management team does not include the key manager's photo name, and key profession/academic qualifications;
- iii. The chairman's statement is not included in the report;
- iv. The report of the chief executive officer has been omitted;
- v. Statement of performance against predetermined objectives is not included;
- vi. Corporate governance statement is not updated;
- vii. Management discussion and analysis is not updated;
- viii. Environmental and sustainability reporting is not updated;
- ix. Report of the board of management is not updated;
- x. Statement of board of management's responsibilities not updated;
- xi. The notes to the financial statements were not adequately documented;
- xii. The statement of financial position is imbalanced; and
- xiii. The statement of net changes in assets reflects nil balances yet the Hospital has a surplus in the statement of financial performance.

In the circumstances, the financial statements do not conform to the format prescribed by the Public Sector Accounting Standard Board (PSASB).

135. Undisclosed Revenue from Exchange Transactions

The statement of financial performance and as disclosed in Note 6 to the financial statements reflects revenue from non-exchange transaction transfers from County Government of Kshs.127,028,444. However, review of the documents maintained at the Hospital revealed revenue collections of Kshs.72,212,270 and Kshs.10,028,850 from medical services fees and National Hospital Insurance Fund respectively which have not

been reported in the financial statements. The amounts were banked directly in the County Government bank accounts.

In addition, the own generated schedules provided revealed Kshs.18,951,401 for services provided to patients under the Kitui County Health Insurance Cover for the financial year 2021/2022. However, no supporting documentation or information was provided on whether the amounts were consolidated into the capital fund account or not.

In the circumstances, the accuracy and completeness of the total revenue amounting to Kshs.127,028,444 could not be confirmed

136. Undisclosed Property, Plant and Equipment

The statement of financial position and as disclosed in Note 31 to the financial statements reflects Nil balance in respect of property, plant and equipment. However, the facility had movable and non-movable assets of undetermined value relating to land, buildings, furniture and fittings and computers which were not valued and undisclosed in financial statements.

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

137. Undisclosed Trade and Other Payables

The statement of financial position reflects Nil balance under trade and other payables. However, examination of records revealed that the Hospital had trade payables totalling Kshs.44,886,224 which were not disclosed in form of a note to the financial statements. Management did not provide aging analysis of the various creditor balances. Further, Management did not demonstrate measures put in place to ensure bills are paid in time to avoid further accumulation and finally paying of huge amounts of interest on principal amounts.

In the circumstances, the accuracy of the Nil balance of trade and other payables could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

138. Irregular Procurement of Goods and Services

Review of documents revealed that an expenditure of Kshs.89,427,384 was incurred on procurement of goods and services. However, Management did not provide a list of prequalified suppliers for audit review but explained that the Hospital used suppliers contracted by the County Government of Kitui.

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

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

The statement of financial performance and as disclosed in Note 16 to the financial statements reflects employee costs of Kshs.29,978,947. Review of the records in the Hospital and analysis of healthcare staffing, interviews and physical verifications of medical equipment's available at the facility revealed that the facility had shortage of health workers with deficit of 6 medical officers, 15 Community Health Nurses and had no radiologists and no anesthetic at the facility. Further the Hospital did not have functional intensive care unit beds, high dependency unit beds and did not have a renal unit.

These deficiencies contravene the First Schedule of Health Act, 2017 and which implies that accessing 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. Further this contravened the Kenya Quality Model for Health Policy Guidelines for Level 4 hospital and may have hindered the realization of the Government program on Universal Health Coverage (UHC).

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

140. Weak Controls on Inventories - Pharmaceuticals and Non-Pharmaceuticals

Physical verification of the hospital storage rooms for pharmaceutical and non-pharmaceutical products revealed that the Hospital does not have adequate storage space and medical products. Further, expired drugs of undetermined value at the facility could not be confirmed. In addition, the Hospital's pharmacy was not registered with the Pharmacy and Poisons Board (PPB).

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

141. Lack of Approved Budget

The statement of comparison of budget and actual amounts for the year ended 30 June, 2022 reflects total expenditure of Kshs.130,862,341. However, the Hospital did not provide the annual approved budget for audit. This was contrary to Regulation 29(1) of the Public Finance Management (County Government) Regulations, 2015.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

142. Lack of an Asset Register

Review of the hospital records and physical inspection revealed that the Hospital had items of plant, property and equipment, freehold land, buildings, motor vehicles that were not valued for inclusion in the statement of financial position. This is contrary to Regulation

170(1) of the Public Procurement and Asset Disposal Regulation, 2020 which provides that an Accounting Officer of a procuring entity shall be responsible for maintaining a register of assets under his or her control or possession. Further, the land on which the Hospital is built, and the developments therein did not have ownership documents. In addition, the Hospital did not have an updated asset register.

In the circumstances, the internal controls over asset management could not be confirmed

143. Lack of Risk Management Policy

During the year under review, the Hospital did not have a risk management policy in place contrary to the provisions of Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall ensure that (a) the county government entity develops risk management strategies, which include fraud prevention mechanism; and (b) the county government entity develops a system of risk management and internal controls that builds robust business operations.

In the circumstances, the effectiveness of risk management could not be confirmed.

144. Lack of Internal Audit Function and Committee

During the year under review, it was noted that the facility did not have an internal audit function to perform risk assessment processes and evaluation of operational effectiveness through reviews of the internal controls, thus risks may not have been identified and mitigated. In addition, there was no internal audit committee in place.

In the circumstances, the Hospital is unable to define its risk appetite and set its risk tolerance levels. In addition, the Hospital is also unable to identify, prevent and mitigate disasters for continuity of operational effectiveness.

KYUSO SUB-COUNTY HOSPITAL - COUNTY GOVERNMENT OF KITUI

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

145. Accuracy of the Financial Statements

The statement of financial position reflects total assets and total net assets and liabilities balances of Kshs.23,352. However, the statement does not reflect any balances in respect of current liabilities and non-current liabilities and therefore the origin of the total net assets and liabilities balance could not be confirmed.

Further, the statement does not include the accumulated deficit amount of Kshs.284,767 as disclosed in the statement of financial performance and the statement of changes in net assets.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

146. Undisclosed Trade and Other Payables

The statement of financial position reflects Nil balance in respect of trade and other payables, as disclosed in Note 34 to the financial statements. However, available information revealed that the Hospital had trade payables during the year which had been sent to the County Headquarters for payment. Further, Management did not demonstrate measures put in place to ensure that outstanding bills are paid in time to avoid further accumulation and the possibility of payment of interest and/or penalties on the unpaid amounts.

In the circumstances, the accuracy of the trade and other payables Nil balance could not be confirmed.

147. Unsupported Revenue from Exchange Transactions

The statement of financial performance and as disclosed in Note 6 to the financial statements, reflects an amount of Kshs.3,916,386 in respect of revenue from medical services fees. However, the supporting documents for the balance were not provided as the amounts were directly banked in the County Government of Kitui's bank accounts.

In the circumstances, the accuracy of the revenue amount of Kshs.3,916,386 could not be confirmed.

148. Undisclosed Property, Plant and Equipment Balance

The statement of financial position and as disclosed in Note 31 to the financial statements reflects Nil balance in respect of property, plant and equipment. However, the facility had movable and non-movable assets of undetermined value relating to land, buildings,

furniture and fittings and computers which were not valued and disclosed in the financial statements.

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

149. Presentation and Disclosures in the Financial Statements

Review of the financial statements of the Hospital revealed the following errors and omissions: -

- i. The Board of Management and Management Team sections did not contain the Directors' and key Management's passport-size photos and key profession and/or academic qualifications.
- ii. The Chairman's statement and the report of the Chief Executive Officer were not included.
- iii. The Statement of Performance Against Predetermined Objectives was not complete and therefore did not include important information about the Hospital.
- iv. The Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, report of the Board of Management and the statement of Board of Management's responsibilities sections were not updated and had just been copied from the template.
- v. The financial statements were not fully signed by the Chairman of the Board and the Medical Superintendent.

In the circumstances, the financial statements did not conform to the format prescribed by the Public Sector Accounting Standard Board.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

150. Non-Compliance with Requirements of Universal Health Coverage

Review of records in the hospital and analysis of healthcare staffing, interviews and physical verifications of medical equipment's revealed that the facility did not have the required number of staff as per Kenya Quality Model for Health, 2018. Further, the facility does not offer all services that are required to be offered by a Level 4 Hospital including radiology, renal dialysis, mortuary and autopsy services, caesarean sections and surgical operations, and advanced life support while the facility's theatre was not functional.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

151. Failure to Maintain an Asset Register

Review of Hospital records and physical verification revealed that freehold land, buildings and motor vehicles were not valued for inclusion in the statement of financial position. Further, the land on which the Hospital is built did not have ownership documents. In addition, the Hospital did not have updated asset register checked by a senior officer.

In the circumstances, the effectiveness of the internal controls and asset management could not be confirmed.

152. Weakness in Inventory Management

Physical verification of the Hospital storage rooms for pharmaceutical and non-pharmaceutical products revealed that the Hospital does not have adequate storage space and medical products. Further, the facility held expired drugs of an undetermined value. In addition, the facility's pharmacy was not registered with the Pharmacy and Poisons Board (PPB) as required by Section 6 (1) of the Pharmacy and Poisons Act, Cap 244.

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

153. Lack of Risk Management Policy

During the year under review, the Hospital did not have a Risk Management Policy in place contrary to the provisions of Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall ensure that the County Government entity develops risk management strategies, which include fraud prevention mechanism; and the County Government entity develops a system of risk management and internal control that builds robust business operations.

In the circumstances, the effectiveness of risk management could not be confirmed.

TSEIKURU HOSPITAL - COUNTY GOVERNMENT OF KITUI

REPORT ON THE FINANCIAL STATEMENTS

Basis for Adverse Opinion

154. Errors on Presentation and Disclosures in the Financial Statements

Review of the annual reports and the financial statements presented for audit had the following errors and omissions: -

- i. The Director's passport-size photo and name, and key profession/academic qualifications was not indicated;
- ii. The Key Managers' passport-size photo and name, and key profession/academic qualifications were not indicated;
- iii. The Chairman's Statement was not included;
- iv. Report of the Chief Executive Officer was not included;
- v. Statement of Performance Against Predetermined Objectives was not included;
- vi. Corporate Governance Statement was not updated,
- vii. Management Discussion and Analysis was not updated,
- viii. The statement of financial position was not balanced and the statement of net changes in assets reflects Nil balances yet the facility had a deficit of Kshs.132,071; and
- ix. The Notes to the financial statements were not adequately documented as per the Public Sector Accounting Standard Board templates.

In the circumstances, the financial statements did not conform to the format prescribed by the Public Sector Accounting Standard Board (PSASB).

155. Non-Disclosure of Property, Plant and Equipment

The statement of financial position and as disclosed in Note 31 to the financial statements reflects Nil balance on property, plant and equipment. However, the Hospital has movable and non-movable assets of undetermined value relating to land, buildings, and computers.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance as at 30 June, 2022 could not be ascertained.

156. Undisclosed Long Outstanding Trade Payables

The statement of financial position reflects a Nil balance in respect of trade and other payables. However, review of the facility's records revealed that an amount of Kshs.1,412,950 was outstanding, being amount due to suppliers who were yet to be paid as at 30 June, 2022, but were not included in the financial statements under accounts payables. Further, no creditors ledger was provided with aging analysis, thus, it was not possible to ascertain the duration the liabilities had been outstanding. In addition, trade payables were not captured in the budget and did not form a first charge.

In the circumstances, the accuracy and completeness of the Nil trade and other payables balance could not be ascertained.

157. Unsupported Revenue from Exchange Transactions

The statement of financial performance and as disclosed in Note 11 to the financial statements reflects revenue from rendering of services - medical service income of Kshs.4,905,883. Even though the facility management explained that the revenue collected was transferred to the County Government of Kitui bank accounts, no supporting documents including Mpesa transactions and cash books were provided to support the revenue collected by the facility.

In the circumstances, the accuracy and completeness of the revenue amount of Kshs.4,905,883 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

158. Non-Compliance with Requirements of Universal Health Coverage

The statement of financial performance and as disclosed in Note 16 to the financial statements reflects employee costs of Kshs.1,208,000. Review of the records in the facility and analysis of healthcare staffing, interviews and physical verifications of medical equipment's available at the facility revealed that the facility does not have the required staff numbers as per Kenya Quality Model for Health requirements. Further, the facility does not offer all services that are required to be offered by a Level 4 hospital and the facility's theatre was not functional.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

159. Failure to Maintain an Assets Register

Records provided for audit revealed that the Hospital does not maintain an asset register for its movable and non-movable assets. This was contrary to Regulation 170(1) of the Public Procurement and Asset Disposal Regulations, 2020 which provides that an Accounting Officer of a procuring entity shall be responsible for maintaining a register of assets under his or her control or possession.

In circumstances, the effectiveness of the internal controls over asset management could not be confirmed.

160. Lack of Risk Management Policy

During the year under review, the Hospital did not have a risk management policy in place contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall ensure that (a) the county government entity develops risk management strategies, which include fraud prevention mechanism; and (b) the county government entity develops a system of risk management and internal control that builds robust business operations.

In circumstances, the effectiveness of risk management could not be confirmed.

161. Weakness in Inventories Management

Physical verification of the hospital storage rooms for pharmaceutical and non-pharmaceutical products revealed that the Hospital does not have adequate storage space and medical products. Further, the facility held expired drugs of undetermined value at its stores. In addition, the facility's pharmacy was not registered with the Pharmacy and Poisons Board.

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

ZOMBE HOSPITAL - COUNTY GOVERNMENT OF KITUI

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

162. Non-Compliance with the Public Sector Accounting Standards Board (PSASB) Reporting Requirements

The financial statements presented for audit were not prepared as per the Public Sector Accounting Standard Board template as detailed below;

- i. The list of Board of Management does not have description of each Director's age, key qualification and work experience,
- ii. Details of key profession and academic qualifications on the Management team was omitted,
- iii. Information on Management of interest rate risk under notes to the financial statements has unidentified characters representing Kenya shillings and the year.

In the circumstances, the presentation and disclosure of the financial statements do not conform to the format prescribed by the Public Sector Accounting Standard Board.

163. Inaccuracies in the Financial Statements

The financial statements presented for audit had errors and omissions as detailed below;

- i. The statement of financial position is not complete as details of non-current assets were omitted,
- ii. The statement of changes in net assets for the year ended is blank yet the hospital had a deficit amounting of Kshs.35,363,
- iii. The statement of financial position reflects trade and other payables balance of Kshs.98,000. However, the supporting note to the financial statements reflects Nil balance resulting in unsupported variance of Kshs.98,000.
- iv. The Hospital provided a trial balance in support of the financial statements amounts and balances. However, this was not supported with the ledgers and schedules.
- v. In addition, the trial balance provided reflects opening balance of Kshs.44,190 which was not supported.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

164. Unsupported Cash and Cash Equivalents

The statement of financial position and as disclosed in Note 27 to the financial statements reflects cash and cash equivalents balance of Kshs.8,826. However, bank reconciliation statements, updated cash book and board of survey report were not provided for audit.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.8,826 could not be confirmed.

165. Unsupported Revenue from Exchange Transactions

The statement of financial performance reflects revenue from exchange transactions amount of Kshs.1,984,805 as disclosed in Note 11 to the financial statements. However, details in support of the revenue were not provided.

In the circumstances, the accuracy and completeness of revenue from exchange transactions totalling to Kshs.1,984,805 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

166. Non-Compliance with Requirements of Universal Health Coverage

The statement of financial performance and as disclosed in Note 16 to the financial statements reflects employee costs of Kshs.1,672,170. Review of the records in the facility and analysis of healthcare staffing, interviews and physical verifications of medical equipment revealed that the facility does not have the required staff as per Kenya Quality Model for Health and the facility does not offer all services that are required to be offered by a Level 4 hospital and the facility's theatre was not functional. This is contrary to Article 43(1) of the Constitution of Kenya, 2010 which, "states that every person has the right to the highest attainable standard of health, which includes the right to health care services, including reproductive health care".

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

167. Expired and Poor Storage of Pharmaceuticals and Non-Pharmaceuticals

The statement of financial position reflects nil balances in respect of inventories for the year ending 30 June, 2022. However, physical verification of the Hospital storage rooms for pharmaceutical and non-pharmaceutical products revealed that the Hospital did not have adequate storage space and medical products are piled together without proper arrangement in maintaining the quality of drugs and other medical products. Further, expired drugs with undetermined value were dumped with other wastes in a room in the hospital. In addition, the facility's' pharmacy was not registered with the Pharmacy and Poisons Board (PPB).

In the circumstances, value for money for the expired drugs and stock balances could not be confirmed.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

168. Lack of Entity Asset Information

Review of the records revealed the Hospital had assets of plant, property and equipment, ten (10) hectares of freehold land, three (3) buildings, three (3) motor vehicles (Ambulances) that were not valued. This is contrary to Regulation 170(1) of the Public Procurement and Asset Disposal Regulation, 2020 which provides that an Accounting Officer of a procuring entity shall be responsible for maintaining a register of assets under his or her control or possession. Further, the land on which the Hospital is built and the developments therein did not have ownership documents.

In the circumstances, the effectiveness of the internal controls over asset management could not be confirmed.

169. Lack of Risk Management Policy

During the year under review, the Hospital did not have a risk management policy in place contrary to the provisions of Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall ensure that (a) the County Government entity develops risk management strategies, which include fraud prevention mechanism; and (b) the County Government entity develops a system of risk management and internal control that builds robust business operations.

In circumstances, the effectiveness of the risk management could not be confirmed.

170. Lack of Internal Audit Function and Audit Committee

During the year under review, it was noted that the Hospital did not have an internal audit function to perform risk assessment processes and evaluation of operational effectiveness of the Hospital through reviews of the internal controls thus, risks may not have been identified and mitigated. In addition, there was no audit committee in place.

In the circumstances, the Hospital will not be able to define its risk appetite and set its risk tolerance levels.

In the circumstances, the Hospital will not be able to identify, prevent and mitigate against disasters for continuity of operational effectiveness.

MUTITU SUB-COUNTY HOSPITAL - COUNTY GOVERNMENT OF KITUI

REPORT ON THE FINANCIAL STATEMENTS

Basis for Disclaimer of Opinion

171. Non-Compliance with the Public Sector Accounting Standards Board

The financial statements of the Hospital for the year ended 30 June, 2022 contained errors and omissions and were not prepared as per the Public Sector Accounting Standard Board template as indicated below:

- i. The statement of financial performance was incomplete as it lacked information on the surplus or deficit.
- ii. The statement of financial position was incomplete and lacked information on property, plant and equipment, intangible assets and non-current liabilities.
- iii. The statement of cash flows was incomplete as it lacked information on net cash flows from operating activities and cash flows from investing activities.
- iv. The statement of changes in net assets was not populated and instead, the submitted guiding template was left blank.
- v. The statement of comparison of budget and actual amounts did not include information on budget amounts for revenue from exchange transactions.

In the circumstances, the financial statements do not conform to the format prescribed by the Public Sector Accounting Standard Board.

172. Variances in the Financial Statements

Review of the financial statements balances and the supporting notes to the financial statements revealed unreconciled and unexplained variances as detailed below:

Item	Financial Statements Balance (Kshs.)	Notes to the Financial Statements Balance (Kshs.)	Variance (Kshs.)
Medical/Clinical Costs	1,962,90	2,124,750	(161,800)
General Expenses	1,444,017	2,321,240	(877,224)
Trade and Other Payables	321,661	-	321,661

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

173. Lack of General Ledgers and Trial Balance

The statement of financial performance reflects total expenditure amount of Kshs.5,598,070, total transfers from County Government amount of Kshs.5,516,888 and revenue from exchange transactions of Kshs.5,014,088. However, review of the supporting documents provided for audit revealed that the Hospital did not prepare the ledgers and trial balance in support of the financial statement balances.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

174. Cash and Cash Equivalents

The statement of financial position and as disclosed in Note 27 to the financial statements reflects cash and cash equivalents balance of Kshs.6,839. However, no bank reconciliation statements, updated cash book and board of survey report for cash balances were provided for audit. In addition, a revenue bank account which had a closing balance of Kshs.86,410 was not disclosed in the financial statements.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.6,839 could not be confirmed.

175. Undisclosed Revenue from Exchange Transactions

The statement of financial performance and as disclosed in Note 6 to the financial statements reflects revenue transfers from the County Government amounting to Kshs.5,014,088. However, documents such as receipt books, cashbooks and general ledgers were not provided for audit as the amounts were said to have been directly banked in the County Government bank accounts.

In the circumstances, the accuracy and completeness of the total revenue amounting to Kshs.5,014,088 could not be confirmed.

176. Non-Compliance with Requirements in Universal Health Coverage

The statement of financial performance and as disclosed in Note 16 to the financial statements reflects employee costs of Kshs.1,477,564. Review of records relating to healthcare staffing, and physical verification of medical equipment revealed that the Hospital did not have the required personnel as per Kenya Quality Model for Health. In addition, the Hospital was not offering all services required by a Level 4 hospital, and the theatre was not operational which resulted to the equipment not being utilized.

In the circumstances, Management was in breach of Government policies on provision of healthcare.

177. Unaccounted for National Hospital Insurance Fund Refunds

Review of documents revealed that the Hospital was registered with the National Hospital Insurance Fund (NHIF) and was making claims at the point when a patient sought for services. The claims were done through a system linked to the NHIF's portal followed by refunds to the hospital in advance from NHIF through the revenue account. The amount was then swiped to Kitui County Government revenue account. Review of NHIF records revealed that data relating to the period starting July, 2021 to February, 2022 was excluded from the revenue records. According to Management, the Hospital did not have control over the refunds and thus the same were not disclosed in the financial statements.

In the circumstances, the accuracy of the revenue amounting to Kshs.5,014,088 reflected in the financial statements could not be confirmed

178. Poor Management of Pharmaceutical and Non-Pharmaceutical Inventories

Physical verification of the Hospital's storage rooms for pharmaceutical and non-pharmaceutical products revealed that the Hospital did not have adequate storage space, and medical products were piled together without proper arrangement in maintaining the quality of drugs and other medical products. Further, expired drugs with undetermined value were lumped up together with waste products in a room. In addition, the Hospital pharmacy was not registered with the Pharmacy and Poisons Board (PPB).

In the circumstances, the medical supplies were exposed to rot and wastage.

179. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.6,720,000 and Kshs.5,516,888 respectively resulting in an under-funding of Kshs.1,203,112 or 18% of the budget. In addition, the Hospital did not have an approved annual budget and approved annual procurement plan.

The under-funding affected the planned activities and may have impacted negatively on service delivery to the public.

180. Lack of Assets Register

Review of records provided for audit in respect of the Hospital's assets and physical verification revealed that the Hospital had items of plant, property and equipment, 13.4 hectares of freehold land, buildings, one (1) ambulance motor vehicle which had not been valued in the statement of financial position. Further, the land on which the hospital is built, did not have ownership documents. In addition, the Hospital did not have an updated assets register.

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

181. Lack of Risk Management Policy

During the year under review, the Hospital did not have a Risk or Disaster Management Policy in place contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall ensure that a County Government entity develops risk management strategies, which include fraud prevention mechanism; and that the County government entity develops a system of risk management and internal controls that build robust business operations.

In circumstances, the effectiveness of risk management measures could not be confirmed.

182. Lack of Internal Audit Function and Committee

During the year under review, the Hospital did not have an internal audit function to perform risk assessment processes and evaluation of operational effectiveness of the Hospital through reviews of the internal controls, therefore, risks may not have been identified and mitigated during the year. In addition, there was no internal audit committee in place.

In the circumstances, the Management did not assess its risk profile and set risk tolerance levels.

183. Lack of a Staff Establishment

During the year under review, Management did not have a staff establishment and scheme of service in place to provide guiding framework for human resources management. It was therefore not clear what guided recruitment, promotion and development of employees.

In the circumstances, the effectiveness in management of human resources could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

184. There were no material issues relating to effectiveness of lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

185. There were no material issues relating to effectiveness of internal controls, risk management and governance.

NUU HOSPITAL - COUNTY GOVERNMENT OF KITUI

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

186. Non-Compliance with Public Sector Accounting Standards Board Templates

The financial statements provided for audit includes, the following errors and omissions:

- i. Cover page did not indicate the level of Hospital as per the PSASB template while page 2 of the financial statements is blank.
- ii. The financial statements on pages iv, v, and vii include copy pasted financial reporting template guidance notes instead of the Hospital information.
- iii. Gazette notice number on the establishment of the Hospital on page iv, the entities headquarters' physical address on page v, Hospital's strategic pillars on page ix, corporate governance statement, report of the Medical Superintendent, Board Chairman's report and management discussion and analysis are missing in the financial statements.
- iv. The report of the Board of Management has not included the principal activities and has not been signed by the Secretary of the Board;
- v. The statement of Board of Governance/Council Member's responsibilities has not been customized with the Hospital's information and not been signed by the Chairman of the Board;
- vi. The financial statements are presented in Kenya Shillings which is the functional and reporting currency of the entity and all values. However, the amounts have not been rounded to the nearest Kenya Shilling;
- vii. The statement of financial performance starts from page xvi instead of page 1 which leads to inconsistency in the page numbering.

In the circumstances, the financial statements do not conform to the format prescribed by the Public Sector Accounting Standard Board (PSASB).

187. Variances between the Financial Statements and the Supporting Schedules

Review of the financial statements provided for audit includes variances between the financial statements amounts and supporting schedule amounts as indicated below:

Item	Financial Statements Amount (Kshs.)	Supporting Schedule Amount (Kshs.)	Variance (Kshs.)
Transfers from County Government	5,308,287	4,972,200	336,087
Medical/Clinical Costs	1,054,360	1,470,020	(415,660)
Employee Costs	627,200	683,600	(56,400)
Repairs & Maintenance	446,950	341,000	105,950
General Expenses	3,138,670	422,200	2,716,470

Further, the statement of financial performance for the year under review omitted revenue from exchange transactions. In addition, the trial balance was not provided for audit.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

188. Unsupported Expenditure on Employee Costs

The statement of financial performance and as disclosed in Note 16 to the financial statements reflects employee costs of Kshs.627,200. However, the payroll data for seven (7) months was not provided for audit while the payroll data provided for audit had not been approved and authorized by a senior officer.

In the circumstances, the accuracy and completeness of the employee costs amounting to Kshs.627,200 could not be confirmed.

189. Unsupported Standing Imprest

The statement of financial position and as disclosed in Note 27 to the financial statements reflects cash and cash equivalents balance of Kshs.62,888. However, review of payment records revealed that the Hospital's administration officer reimbursed standing imprests totalling Kshs.196,575 without supporting documents.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.62,888 could not be confirmed.

190. Unsupported General Expenses

The statement of financial performance and as disclosed in Note 21 to the financial statements reflects general expenses totalling Kshs.3,138,670. However, examination of records in support of the expenditure revealed that payment vouchers and supporting documents provided for audit amounted to Kshs.422,200 resulting in unsupported expenditure of Kshs.2,716,470. Further, ledgers were not provided for audit.

In the circumstances, the accuracy and completeness of general expenses amounting to Kshs.2,716,470 could not be confirmed.

191. Unsupported Cash and Cash Equivalents

The statement of financial position and as disclosed in Note 27 to the financial statements reflects cash and cash equivalents balance of Kshs.62,888. However, bank reconciliation statements and board of survey report were not provided for audit. Further, operations cash book with a bank balance of Kshs.19,503 had not been updated since September, 2021. In addition, revenue bank account with a closing bank account balance of Kshs.973 has not been disclosed in the financial statements under Note 27 and 27(a).

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.62,888 could not be confirmed.

192. Unexplained Transactions in the Revenue Account

Examination of the Hospital revenue account indicated that the Hospital transferred funds totalling Kshs.52,556 from its revenue account to Kitui County revenue account. However, review of revenue account statements revealed that the Hospital had a revenue account which was similar to that one of the Kitui County. All the entries in the bank statement for the year provided for audit had constant amounts of Kshs.973 entries which were not explained by the Hospital Management.

In the circumstances, the accuracy and completeness of the transactions reflected in the Hospital revenue account of Kshs.52,556 could not be confirmed.

193. Undisclosed Revenue from Exchange Transactions

The statement of financial performance and as disclosed in Note 6 to the financial statements, reflects revenue from non-exchange transaction transfers from County Government of Kshs.5,308,287. However, review of records revealed that the Hospital collected undetermined revenue from hospital medical services fees, whose details were not provided. The amounts were directly banked in the County Government bank accounts and was not disclosed in the financial statements.

In the circumstances, the accuracy of the total revenue amount of Kshs.5,308,287 could not be confirmed.

194. Undisclosed Property, Plant and Equipment

The statement of financial position and as disclosed in Note 31 to the financial statements reflects Nil balance in respect of property, plant and equipment. However, the Hospital had movable and non-movable assets of undetermined value relating to land, buildings and computers.

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

195. Undisclosed Trade and Other Payables

The statement of financial position reflects a Nil balance in respect of trade and other payables. However, examination of the Hospital records revealed that the Hospital had payables totalling Kshs.546,000 which were not disclosed in the financial statements. Further, Management did not demonstrate measures put in place to ensure bills were paid in time to avoid further accumulation.

In the circumstances, the accuracy of the Nil balance in respect of the trade and other could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

196. Failure to Remit Statutory Deductions

The statement of financial performance reflects employee costs amount of Kshs.627,200 as disclosed in Note 16 to the financial statements. However, review of the documents availed for audit revealed that statutory deductions to the National Hospital Insurance Fund and the National Social Security Fund totalling Kshs.22,200 for the Hospital staff were deducted but not remitted.

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

197. Non-Compliance with Requirements of Universal Health Coverage

Review of the records in the Hospital and analysis of healthcare staffing, interviews and physical verification of medical equipment revealed that the Hospital did not have the required staff as per Kenya Quality Model for Health and did not offer all services required to be offered by a Level 4 hospital. Further, the Hospital theatre was not functional and the equipment in the theatre were not being utilized.

In the circumstances, the Hospital did not effectively operate as required by the Kenya Quality Model for Health.

198. Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and final expenditure budget of Kshs.6,000,000 and Kshs.5,267,180 respectively resulting in a deficit budget of Kshs.732,820 and under-expenditure of Kshs.249,708. Further, the Hospital did not have an approved annual procurement plan and approved annual budget for the year under review.

In the circumstances, the regularity of the Hospital's expenditures and revenue could not be confirmed.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis of Conclusion

199. Lack of Assets Register and Ownership Documents

Review of the Hospital records and verification done within the Hospital indicated that the Hospital had items of plant, property and equipment including 10ha of freehold land and buildings, that were not valued for inclusion in the financial statements. Further, the land on which the Hospital is built and the developments therein did not have ownership documents. In addition, the Hospital did not maintain an asset register.

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

200. Lack of Risk Management Policy

During the year under audit, the Hospital Management did not have in place a risk management policy and did not identify, assess and control risks.

In the circumstances, the effectiveness of the Hospital's risk management could not be confirmed.

201. Lack of Disaster Recovery Plan

During the year under audit, the Hospital Management did not have a disaster recovery plan/business continuity plan.

In the circumstances, the Hospital may not effectively identify, prevent and mitigate against disasters and ensure that its operations are not interrupted.

202. Inadequate Storage Space for Pharmaceuticals and Non-Pharmaceuticals Products

Physical verification of the Hospital storage rooms for pharmaceutical and non-pharmaceutical products revealed that the Hospital did not have adequate storage space and medical products were piled together without proper arrangement. Further, expired drugs of undetermined value were dumped with other wastes in one of the rooms in the Hospital.

In the circumstances, the effectiveness of the internal controls over the pharmaceutical and non-pharmaceutical products could not be confirmed.

MIGWANI HOSPITAL - COUNTY GOVERNMENT OF KITUI

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

203. Inaccuracies in the Cash and Cash Equivalents

The statement of financial position and as disclosed under Note 27 to the financial statements reflects Nil balances under current assets and non-current assets, current liability and non-current liability. However, the bank statements for two bank accounts held by the Hospital reflect bank balances of Kshs.187,691 and Kshs.179,912 which were not disclosed in the financial statements.

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

204. Unsupported Expenditure

The statement of financial performance reflects expenses totalling Kshs.13,632,861. However, review of the operation account revealed that the total payments made during the year amounted to Kshs.32,159,015 out of which expenditure amounting to Kshs.25,640,286 was not supported with payment vouchers.

In the circumstances, the accuracy and completeness of the total expenses amount of Kshs.13,632,861 could not be confirmed.

205. Undisclosed Revenue from Exchange Transactions

The statement of financial performance reflects revenue from non-exchange transaction amounting to Kshs.13,364,987 as disclosed in Note 6 to the financial statements. Although records showed that the hospital medical services fees amounting to Kshs.11,586,840 was remitted to the County Government of Kitui, no revenue was disclosed under revenue from exchange transactions in Note 11 to the financial statements.

In the circumstances, the accuracy and completeness of the revenue from Exchange Transactions amount of Kshs.13,364,987 could not be confirmed.

206. Non-Disclosure of Property, Plant and Equipment

The statement of financial position and as disclosed under Note 30 to the financial statements reflects Nil balance on property, plant and equipment. However, the facility has movable and non-movable assets of undetermined value relating to land, buildings, and computers.

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

207. Undisclosed Trade Payables

The statement of financial position reflects a Nil balance in respect of trade and other payables. However, review of the records revealed that a balance of Kshs.1,009,312 due to suppliers was outstanding but was not disclosed in the financial statement under accounts payable. Further, no creditors ledger was provided with aging analysis of the various creditor balances.

In the circumstances, the accuracy and completeness of the Nil balance of trade and other payables could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

208. Non-Compliance with Requirements of the Universal Health Coverage

Review of the records in the Hospital and analysis of healthcare staffing, interviews and physical verifications of medical equipment revealed that the facility had a total of fifty-six (56) health workers against the required one hundred and one (101) as per Kenya Quality Model for Health and does not offer all the services that are required to be offered by a Level 4 hospital.

In the circumstances, Management did not comply with the Kenya Quality Model for health guidelines.

209. Inventories - Pharmaceuticals and Non-Pharmaceuticals

Review of the records maintained at the facility revealed that in the stores for pharmaceuticals and non-pharmaceuticals there were expired drugs of undetermined value were expired. Further, the facility's' pharmacy was not registered with the Pharmacy and Poisons Board (PPB) as required.

In the circumstances, Management did not comply with the Pharmacy and Poisons Board requirements.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

210. Failure to Maintain an Assets Register

Review of records revealed that the Management did not maintain an asset register for its movable and non-movable assets. This was contrary to Regulation 170(1) of the Public Procurement and Asset Disposal Regulation, 2020 which provides that an Accounting Officer of a procuring entity shall be responsible for maintaining a register of assets under his or her control or possession.

In circumstances, the effectiveness of the internal controls over asset management could not be confirmed.

211. Lack of Risk Management Policy

During the year under review, the hospital did not have a Risk Management Policy in place contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall ensure that the County Government entity develops risk management strategies, which include fraud prevention mechanism and also develops a system of risk management and internal controls that builds robust business operations.

In the circumstances, Management may not be in a position to identify risk, rank them and allocate resources to mitigate them.

KAUWI HOSPITAL - COUNTY GOVERNMENT OF KITUI

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

212. Unsupported Revenue from Exchange Transactions

The statement of financial performance reflects total revenue of Kshs.13,654,275. This includes revenue from medical services fees of Kshs.7,485,630 whose supporting documents and details were not provided for audit as the amounts were directly banked in the County Government of Kitui's bank accounts.

In the circumstances, the accuracy and completeness of the revenue from medical services fees of Kshs.7,485,630 could not be confirmed.

213. Undisclosed Property, Plant and Equipment

The statement of financial position and as disclosed under Note 31 to the financial statements reflects Nil balance in respect of property, plant and equipment. However, the facility had movable and non-movable assets of undetermined value relating to land, buildings, furniture and fittings and computers which were not valued and disclosed in financial statements.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

214. Long Outstanding Pending Bills

The statement of financial position and as disclosed under Note 34 to the financial statements reflects trade and other payables balance of Kshs.1,581,510. Examination of documents provided by the Hospital revealed that the payables were still outstanding with some dating back to the year 2019 contrary to Regulation 42(a) of Public Finance Management Regulations which provides that debt service payments shall be a first charge on the consolidated fund and the Accounting Officer shall ensure this is done to the extent possible that the government does not default on debt obligations. Delay in settling bills may attract legal cases, interest in case of disputes and affects the following year's budget.

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

215. Non-Compliance with Requirements of Universal Health Coverage

The statement of financial performance and as disclosed in Note 16 to the financial statements reflect employee costs of Kshs.1,747,800. Review of records maintained by the facility and analysis of healthcare staffing, interviews and physical verifications of medical equipment's available at the facility revealed that the facility does not have the required staffing as per Kenya Quality Model for Health and only has fifty-six (56) members of staff and does not offer all services that are required of a Level 4 hospital.

In the circumstances, the Hospital may not effectively provide services as required by a level four hospitals.

216. Lack of Adequate Storage Space

Physical verification of the Hospital storage rooms for pharmaceutical and non-pharmaceutical products revealed that the Hospital does not have adequate storage space and medical products are piled together without proper arrangement in maintaining the quality of drugs and other medical products leading to overloading of the small space available. Further, expired drugs of undetermined value were dumped with other wastes in a room. In addition, the facility's' pharmacy was not registered with the Pharmacy and Poisons Board (PPB).

In the circumstances, Management did not comply with the Pharmacy and Poisons Board on the management of the pharmaceutical and non-pharmaceutical medical products.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

217. Lack of Risk Management Policy

During the year under review, the hospital did not have a risk management policy in place contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall ensure that (a) the County Government entity develops risk management strategies, which include fraud prevention mechanism; and (b) the County Government entity develops a system of risk management and internal control that builds robust business operations.

In circumstances, the effectiveness of the Hospital's risk management measures could not be confirmed.

218. Lack of Internal Audit Function and Committee

During the year under review, the facility did not have an internal audit function to perform risk assessment processes and evaluation of operational effectiveness through reviews of the internal controls in the Hospital, thus risks may not be identified and mitigated. In addition, there was no internal audit committee in place.

In the circumstances, the Hospital is unable to identify, prevent and mitigate risks.

IKANGA HOSPITAL - COUNTY GOVERNMENT OF KITUI

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

219. Inaccuracies in the Financial Statements

The statement of financial position reflects total net assets and liabilities of Kshs.988,481 which has not been supported, resulting in an unbalanced statement of financial position.

Further, the statement of cash flows reflects an increase in net cash flows of Nil balance and opening cash and cash equivalents of Kshs.80,885. Therefore, the basis of the closing balance of Kshs.3,923 is not disclosed.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

220. Non-Disclosure of Property, Plant and Equipment

The statement of financial position and as disclosed in Note 31 to the financial statements reflects property, plant and equipment Nil balance. However, review of records provided for audit and physical verification indicated that the Hospital had items of plant, property and equipment, freehold land, buildings, motor vehicle that were not valued.

Further, land on which the Hospital is built did not have ownership documents and Management did provide an updated asset register.

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

221. Unsupported Revenue from Exchange Transactions

The statement of financial performance and as disclosed in Note 11 to the financial statements reflects revenue from exchange transaction - rendering of services medical services of Kshs.4,178,808. However, Management did not provide supporting documents for the revenue collected, for audit verification, as they were maintained by the County Government of Kitui.

In the circumstances, the accuracy and completeness of exchange transaction - rendering of services medical services an amount of Kshs.4,178,808 could not be confirmed.

222. Undisclosed Inventories

The statement of financial position and as disclosed under Note 30 to the financial statements reflects inventories with a Nil closing balance. However, physical verification on stores records (bin cards) revealed that some of these items had closing balances whose values could not be determined. It was further noted that the Hospital does not

maintain the stores ledger and stock take was not carried out at the end of financial year. Further, expired drugs with undetermined value at the facility could not be confirmed as they were not valued.

In the circumstances, the accuracy of inventories with a Nil balance could not be confirmed.

223. Unsupported Employee Costs

The statement of financial performance and as disclosed in Note 16 to the financial statements reflects employee costs of Kshs.1,597,050. However, payroll data for staff working in the facility was not provided for audit.

In the circumstances, the accuracy and completeness of employee costs of Kshs.1,597,050 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

224. Non-Compliance with Requirements in Universal Health Coverage

Review of the records in the facility and analysis of healthcare staffing, interviews and physical verifications of medical equipment at the facility revealed that the facility has 43 health workers against the required 216 as per Kenya Quality Model for Health and the facility does not offer all services that are required to be offered by a Level 4 hospital.

In the circumstances, effectiveness of service delivery to the public could not be confirmed.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

225. Lack of Risk Management Policy

During the year under review, the Hospital did not have a risk management policy. This was contrary to the provisions of Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall ensure that (a) the county government entity develops risk management strategies, which include fraud prevention mechanism; and (b) the county government entity develops a system of risk management and internal control that builds robust business operations.

In the circumstances, the effectiveness of risk management strategies could not be confirmed.

226. Lack of Internal Audit Function and Committee

During the year under review, it was noted that the facility did not have an internal audit function to perform risk assessment processes and evaluation of operational effectiveness through reviews of the internal controls. Therefore, risks may not have been identified, prevented and mitigated for continuity of operational effectiveness. In addition, there was no internal audit committee in place.

In the circumstances, the effectiveness of the governance structure could not be confirmed.

KITUI COUNTY REFERRAL HOSPITAL - COUNTY GOVERNMENT OF KITUI

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

227. Unsupported Employee Costs

The statement of financial performance reflects employees' costs totalling to Kshs.64,436,880 as disclosed in Note 16 to the financial statements. Review of records maintained at the facility revealed that, the total expenditure of Kshs.64,436,880 was in relation to casual workers within the facility. However, all health workers on permanent and pensionable benefits are employed and paid allowances by the County Government of Kitui which could not be determined as no payroll data was provided for audit.

In the circumstances, the accuracy, and completeness of the Kshs.64,436,880 for employees' costs could not be confirmed.

228. Unsupported Revenue

The statement of financial performance reflects total revenue amount of Kshs.276,949,181. However, the Hospital collected revenue of an undetermined amount from the provision of hospital medical services fees but details of the collections, amounts and Mpesa transfers were not provided for audit. Further, the amount of revenue collected and banked directly into the County Government of Kitui bank accounts has not been disclosed in the financial statements. Further, included in the total revenue amount is insurance claims of Kshs.110,936,104. However, the schedule provided in support of total amounts received from National Hospital Insurance Fund as claims was Kshs.94,724,122, while the bank statement provided reflect total amounts received from the Fund as Kshs.197,669,960 resulting in unexplained variance of Kshs.102,945,838.

In the circumstances, the accuracy and completeness of the total revenue amount of Kshs.276,949,181 could not be confirmed.

229. Non-Disclosure of Property, Plant and Equipment

The statement of financial position reflects Nil balance in respect of property, plant and equipment as disclosed in Note 31 to the financial statements. However, the facility has movable and non-movable assets of undetermined value relating to land, buildings, and computers.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

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

The statement of financial performance reflects employee costs of Kshs.64,436,880 as disclosed in Note 16 to the financial statements. A review of the records in the hospital and analysis of healthcare staffing, interviews and physical verifications of medical equipment's available at the facility revealed that while the facility had an excess of 22 medical officers, it had a shortage of 11 lab technologists, 4 nutritionists, 8 clinical officers and 6 community nurses. The facility did not have any radiologists and physiotherapists. Further the hospital did not have functional intensive care unit beds, high dependency unit beds, and the renal unit had four instead of the required 5 dialysis machines.

These deficiencies contravene the First Schedule of Health Act, 2017 and which implies that accessing 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. Further this contravened the Kenya Quality Model for Health Policy Guidelines for Level 4 hospital and hindered the realization of the government program on Universal Health Coverage (UHC).

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

231. Failure to Prioritize Payment of Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.19,840,971 as disclosed in Note 34 to the financial statements. However, the payables were not captured in the budget and did not form first charge This was contrary to Section 139(7) of the Public Procurement and Asset Disposal, Act 2020 which states that on receipt of an invoice or a fee note, a procuring entity shall make payment on first come first paid basis. Failure to settle bills during the year to which they relate adversely affects the implementation of the subsequent year's budgeted programs to which they have to be charged.

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

232. Failure to Withhold Value Added Tax (VAT)

The statement of financial performance reflects total payments of Kshs.276,949,181. Review of the documents provided revealed that, during the year, the Hospital incurred a total expenditure of Kshs.102,327,729 being costs for the supply of goods and services to the hospital. However, all the payments paid out to suppliers was at the gross value without withholding applicable VAT as is required under section 34 (b) of the Vat Act 2013.

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

233. Incomplete and Stalled Projects

Physical verification of projects within the facility revealed that, within the Hospital compound, there are two (2) buildings whose construction had stalled and that they were meant for hospital ward extension which have remained incomplete and stalled as the contractor was not on site and no works were on going. Even though the Hospital Management indicated that the works were contracted under the County Government of Kitui, no documents with regards to contract amounts, payment certificates, termination and the current status of these stalled projects was provided nor any explanation as to why the project stalled.

In the circumstances, value for money obtained from the projects could not be confirmed.

234. Lack of an Approved Budget for the Hospital

The statement of comparison of budget and actual amounts for the year reflects total budget of Kshs.166,013,077. The Hospital budget allocation for the year was captured and approved at the County Ministry of Health overall budget, however, the said approved budget was not provided for audit. Failure to prepare and approve the budget is contrary to Regulations 29(I) of the Public Finance Management (County Governments) Regulations 2015 which states that the Accounting Officer shall ensure that the draft estimates relating to his or her department are prepared in conformity with the Constitution, the Act and the Regulations.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

235. Failure to Maintain an Assets Register

Review of records revealed that hospital does not maintain an asset register for its movable and non-movable assets. This was contrary to Regulation 170(1) of the Public Procurement and Asset Disposal Regulation, 2020 which provides that an Accounting Officer of a procuring entity shall be responsible for maintaining a register of assets under his or her control or possession.

In the circumstances, the existence and effectiveness of internal controls for asset management could not be confirmed.

236. Lack of Risk Management Policy

During the year under review, the Hospital did not have a Risk Management Policy in place contrary to the provisions of Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall ensure that (a) the County Government entity develops risk management strategies,

which include fraud prevention mechanism; and (b) the County Government entity develops a system of risk management and internal controls that builds robust business operations.

In circumstances, the existence of effective risk management measures could not be confirmed.

237. Weak Controls on Inventories - Pharmaceuticals and Non-Pharmaceuticals

The statement of financial position reflects inventories balance of Kshs.20,255,265 as disclosed in Note 30 to the financial statements. Review of the records maintained at the facility revealed that the storage area for pharmaceuticals and non-pharmaceuticals was adequate with the supplies well-arranged and with bin cards to control the receipt and issues of the supplies. However, expired drugs with undetermined value at the facility could not be confirmed as they were dumped in a space within the stalled building in the facility's compound.

In the circumstances, the existence and effectiveness of the internal controls on inventory Management could not be confirmed.

KANYANGI HOSPITAL - COUNTY GOVERNMENT OF KITUI

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

238. Unsupported Cash and Cash Equivalents

The statement of financial position reflects a negative cash and cash equivalent balance of Kshs.297,916 as disclosed in Note 14 which includes a standing imprest balance of Kshs.50,000 issued out on a regular basis to facilitate operations. However, Management did not maintain a petty cash book to record the respective transactions. Further, Management did not provide the board of survey report for audit.

In the circumstances, the accuracy and completeness of the negative balance of Kshs.297,916 in respect of cash and cash equivalents could not be confirmed.

239. Undisclosed Property, Plant and Equipment Balance

The statement of financial position reflects a Nil balance on property, plant and equipment. However, the Hospital had movable and non-movable assets of undetermined value relating to land, buildings, computers and other assets.

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

240. Unsupported Transfers from Other Government Entities

The statement of financial performance and as disclosed in Note 7 to the financial statements reflects an amount of Kshs.1,615,135 in respect of transfers from other Government entities which further, Management did not provide for audit verification documents and details in support of the amount of Kshs.1,615,135 as it was directly banked in the County Government of Kitui's bank accounts. Includes an amount of Kshs.840,000 in respect of hospital claims from the National Health Insurance Fund (NHIF). However, the contract agreement between the Hospital and NHIF for the year under review was not provided for audit.

In the circumstances, the accuracy of the transfers from other Government entities amount of Kshs.1,615,135 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

241. Non-Compliance with Requirements of Universal Health Coverage

Review of records in the Hospital and analysis of healthcare staffing, interviews and physical verifications of medical equipment revealed that the facility had fifty-two (52)

health workers. This was contrary to the required two hundred and sixteen (216) staff as per Kenya Quality Model for Health, 2018. Further, the facility's theatre was not functional and some equipment such as anesthetic machine and the theatre room needed repairs.

In the circumstances, the Universal Health Coverage may not be effectively be delivered by the Hospital.

242. Non-Compliance with Pharmacy and Poisons Board Requirements

The facility's pharmacy was not registered with the Pharmacy and Poisons Board (PPB) contrary to Section 6(1) of the Pharmacy and Poisons Act, Cap 244 of the Laws of Kenya.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

243. Lack of Risk Management Policy

During the year under review, the Hospital did not have a Risk Management Policy in place. This was contrary to the provisions of Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall ensure that the County Government entity develops risk management strategies, which include fraud prevention mechanism; and the County Government entity develops a system of risk management and internal control that builds robust business operations.

In circumstances, the effectiveness on risk management could not be confirmed.

244. Inventory Management Control Weaknesses

The statement of financial position and as disclosed in Note 15 to the financial statements reflects. Inventories balance of Kshs.1,406,010. However, physical verification of the inventories revealed that there was no air condition in the storage room to regulate temperature. Further, there were no storage ledger cards which would track inventory movement. Therefore, it was not possible to confirm expired drugs with undetermined value which had been transferred to another facility awaiting disposal.

This contravened Regulation 166(4) of the Public, Procurement and Asset Disposal Regulations, 2020 that requires an effective, efficient and transparent use of government inventory, stores and assets at all levels and that an Accounting Officer of a procuring entity shall take full responsibility of the Management or control of Inventory or Assets.

245. Failure to Maintain an Assets Register

Review of records provided for audit revealed that hospital does not maintain an asset register for its movable and non-movable assets. This is contrary to Regulation 170(1) of

the Public Procurement and Asset Disposal Regulations, 2020 which provides that an Accounting Officer of a procuring entity shall be responsible for maintaining a register of assets under his or her control or possession.

In circumstances, the effectiveness of internal controls over assets management could not be confirmed.

MUTOMO HOSPITAL - COUNTY GOVERNMENT OF KITUI

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

246. Inaccuracies in Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.13,597. Review of the cash book and bank statements indicates that the facility operates an account with Kenya Commercial Bank (KCB). However, Management did not provide the board of survey report for audit review. Further, the facility has a standing imprest of Kshs.100,000 issued out on regular basis to facilitate operations. However, the Hospital did not maintain a petty cash book during the year under review.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.13,597 could not be confirmed.

247. Inaccuracies of the Financial Statements

The statement of financial position reflects total assets of Kshs.1,617,059 against total liabilities and capital of Kshs.1,300,830 resulting in an unreconciled variance of Kshs.316,229.

In the circumstances, the accuracy of the financial statements could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

248. Non-Compliance with Requirements on Universal Health Coverage

The statement of financial performance and as disclosed in Note 9 to the financial statements reflect employee costs of Kshs.1,101,254. Review of the records in the facility and analysis of healthcare staffing, interviews and physical verifications of medical equipment's available at the facility revealed that the facility has thirty six (36) health workers against the required two hundred and sixteen (216) as per Kenya Quality Model for Health. Further, the facility does not offer all services that are required to be offered by a Level 4 hospital and the facility's theatre was not functional.

In the circumstances, Management was in breach of the Universal Health Coverage Guidelines.

249. Long Outstanding Trade and Other Payables

The statement of financial position and as disclosed in Note 16 to the financial statements reflects trade and other payables of Kshs.1,300,830 as at 30 June, 2022. However, the payables were not reflected in the budget and did not form first charge as per the requirements of Regulation 139(7) of the Public Procurement and Asset Disposal

Regulations, 2020 which states that, on receipt of an invoice or a fee note a procuring entity shall make payment on first come first paid basis.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

250. Failure to Maintain an Assets Register

Records provided for audit revealed that the hospital did not maintain an asset register for its movable and non-movable assets. This is contrary to Regulation 170(1) of the Public Procurement and Asset Disposal Regulations, 2020 which provides that an Accounting Officer of a procuring entity shall be responsible for maintaining a register of assets under his or her control or possession.

In circumstances, internal controls over asset management could not be ascertained.

251. Lack of Risk Management Policy

During the year under review, the Hospital did not have a risk management policy in place contrary to the provisions of Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall ensure that (a) the County Government entity develops risk management strategies, which include fraud prevention mechanism; and (b) the County Government entity develops a system of risk management and internal control that builds robust business operations.

In circumstances, the effectiveness on risk management could not be confirmed.

252. Weakness in Inventories Management

The statement of financial position and as disclosed in Note 12 to the financial statements reflects inventories balance of Kshs.1,374,619. Review of the records maintained at the facility revealed that the storage area for pharmaceuticals and non-pharmaceuticals was adequate with the supplies well-arranged and with bin cards to control the receipt and issues of the supplies. However, there was no air conditioner in the storage area to regulate the temperature. Further, expired drugs with undetermined value at the facility could not be confirmed as they were dumped with other wastes in a room in the kitchen area of the Hospital. In addition, the facility's pharmacy was not registered with the Pharmacy and Poisons Board.

In the circumstances, control over the storage of the pharmaceuticals and non-pharmaceuticals inventories could not be ascertained.

MT. KENYA SUB-COUNTY HOSPITAL - COUNTY GOVERNMENT OF NYERI

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

253. Inaccuracies and Inconsistencies in the Financial Statements

Review of the financial statements as prepared and presented for audit revealed the following errors and inconsistencies;

- i. The statement of financial performance reflects general expenses amount of Kshs.8,061,136 while the supporting schedule reflects an amount of Kshs.7,970,586 resulting in an unexplained variance of Kshs.90,550. Further, the transfer to Health Fund (3% and 20%) was reflected as Kshs.3,074,383 while the recomputed balance is Kshs.3,648,858 resulting in an unexplained variance of Kshs.574,475;
- ii. The statement of financial position reflects total net assets and liabilities balance of Kshs.7,310,039 while the recomputed balance is Kshs.6,534,519 resulting in an unexplained variance of Kshs.775,520. Further, the balance of receivables from exchange transactions was reflected as Kshs.1,150,764 while the supporting schedule reflected a balance of Kshs.13,774,945 resulting in an unreconciled variance of Kshs.12,624,181;
- iii. The statement of cash flows reflects cash and cash balance brought forward which was not disclosed in the statement of financial position as fund balance;
- iv. The statement of cash flows reflects cash and cash equivalents balance of Kshs.6,159,235 while the recomputed balance was Kshs.11,321,230 resulting in an unexplained variance of Kshs.5,161,995; and
- v. The statement of budget comparison and actual amounts reflects actual receipts of Kshs.28,701,644 and actual expenditure of Kshs.22,167,125 while the statement of financial performance reflects actual receipts of Kshs.33,787,468 and expenditure of Kshs.27,252,549 resulting in an unexplained variance of Kshs.5,085,424 and Kshs.5,085,424 respectively.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

254. Misrepresented Revenue from Exchange Transactions

The statement of financial performance reflects income from exchange transaction - medical services amount of Kshs.15,852,599 and as disclosed in Note 11 to the financial statements. However, the income was recognized on a cash basis instead of an accrual basis. Further, cash collections amounting to Kshs.1,099,025 could not be reconciled to source departments on amount billed, amount paid and banked.

Further, Mpesa receipts for July, 2021 of Kshs.722,640, December, 2021 of Kshs.472,070, January, 2022 of Kshs.1,209,530, February, 2022 of Kshs.469,670 and March, 2022 of Kshs.321,360 were not supported with bank statements. In addition, daily collections reflected in Mpesa statements had unexplained variances with amounts reflected in supporting schedules as detailed below: -

Date	Amount as per Mpesa Statements (Kshs.)	Amount Reported (Kshs.)	Variance (Kshs.)
01 April, 2022	10,940	-	10,940
01 June, 2022	81,620	-	81,620
01 August, 2021	29,080	-	29,080
02 August, 2021	49,120	-	49,120
07 June, 2022	20,548	29,380	(8,832)
09 June, 2022	15,672	20,520	(4,848)
10 June, 2022	18,628	18,829	(201)
14 June, 2022	86,926	86,701	225

In the circumstances, the accuracy and completeness of receipts from rendering of services amounting to Kshs.15,852,599 could not be confirmed.

255. Unsupported National Health Insurance Fund (NHIF) Claims

The statement of financial position reflects receivables from exchange transaction - medical services National Health Insurance Fund (NHIF) of Kshs.1,150,764 and as disclosed in Note 28 to the financial statements. However, the Hospital did not provide records on the NHIF billings, the amount claimed, amount paid, outstanding balances and monthly reconciliations. Further, Management of the Hospital did not provide a contract between them and NHIF for the financial year under review.

In the circumstances, the accuracy and completeness of receivables from NHIF of Kshs.1,150,764 could not be confirmed.

256. Unsupported Cash and Cash Equivalent

The statement of financial position reflects cash and cash equivalents balance of Kshs.6,159,235 and as disclosed in Note 27 to the financial statements. However, the balances were not supported with cash survey report. Further, cheque number 1499 for Kshs.12,540 issued to Boc Kenya PLC could not be traced in subsequent bank statements for clearance as at 15 June, 2023.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.6,159,235 could not be confirmed.

257. Land Without Ownership Documents

Available information confirmed that the Hospital occupies eight acres of land however the titled deed was not provided, to confirm ownership. The land occupied by the Hospital could be encroached or allocated for other purposes.

In the circumstances, the ownership of the land could not be confirmed.

Other Matter

258. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.28,701,644 and Kshs.28,701,644. Further, the actual expenditure reflects a balance of Kshs.22,167,125 against an approved budget of Kshs.28,701,644 resulting in an under-expenditure of Kshs.6,536,519 or 23% of the budget. The actual amounts for receipts and expenditure do not agree with the amounts in the statement of financial performance.

Further, the statement of comparison of budget and actual amounts reflects a final budget income of Kshs.28,701,644 and final expenditure budget of Kshs.26,278,388 resulting in a budget surplus of Kshs.2,423,256 or 8%. This was contrary to Regulation 31(c and e) of Public Finance Management (County Governments) Regulations, 2015 which provides that budget revenue and expenditure appropriations shall be balanced, total budget revenue shall cover total budget expenditure.

The under-absorption affected the planned activities and may have impacted negatively on service delivery towards achieving universal health coverage.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

259. Failure to Maintain Revenue Cash Book

The income from rendering of services was collected and deposited in Health Sector Revenue Collection Account. However, the Hospital Management did not maintain a revenue cash book with details on daily billings and collections (amount paid), transfers to the Fund Account, withdrawals through Authority to Incur Expenditure (AIE) and receipts revenue receivables. This was contrary to Regulation 100, of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officers to keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible.

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

260. Non-Submission of Monthly Bank Reconciliations

The Management did not submit monthly bank reconciliation statements on the 10th of the subsequent month to the County Treasury with a copy to the Auditor-General. This was contrary to Regulation 90(1) of the Public Finance Management (County Governments) Regulations, 2015.

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

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

261.1 Understaffing of Health Workers

During the year under review the Hospital had only two (2) medical officers against the required sixteen (16) recommended by the Kenya Quality Model for Health which represents a deficit of 88%. Further, the Hospital did not have anaesthesiologists, general surgeons, gynecologists, pediatrics, radiologists, against the recommended two (2) each representing 100% deficit. In addition, the Hospital had twenty-one (21) registered community health nurses against the recommended seventy-five (75) representing a deficit of 72%.

261.2 Failure to Offer Various Medical Services Offered in the Hospital

During the year under review the Hospital was not offering services on radiology, renal dialysis, mortuary and autopsy, advanced life support, caesarian section and surgical operations. Further, the Hospital only offered partial services on minor surgical procedures, pediatric and gynecological services in the outpatient departments due to lack of Medical Officers or fully pledged departments.

261.3 Inadequate Operational Equipment

During the year under review, the Hospital had thirty-one (31) inpatient beds from the recommended one hundred and fifty (150) beds representing 79% deficit, zero resuscitative in theatre from the recommended one, and one in labour ward from the recommended two (2). In addition, the Hospital had one new born unit-incubators which was not functional from the recommended five, zero newborn unit cots from the recommended five (5), zero functional intensive care unit-beds from the recommended six, zero high dependency unit-beds from the recommended six and zero renal unit dialysis machines from the recommended five (5). Further, the hospital had zero functional operating theaters Maternity and general from the recommended two (2).

261.4 Lack of Key Operational Departments

During the year under review the Hospital, had only six operational departments out of the twenty-four surveyed representing 75% deficit. The functional departments include: - laboratory department of class E, physical medicine department, infectious disease department, dental department for basic services, general ward unit and rehabilitation department, while the non-operational departments include:- imaging department,

urology department, obstetrics and gynecology department, research department, surgery and surgical procedures department, critical care unit, surgery recovery unit, day procedures unit, step down or clinical decision unit, cardiac unit, renal in dialysis unit, cath lab unit and home health unit, quality control unit, nuclear medicine unit pediatric unit, pediatric critical care unit and community-based rehabilitation unit.

In the circumstances, the Hospital was not operating as per the provisions of Health Act, 2017 schedule on classification of health services and the guidelines, standards and policies for a Level 4 Hospital as per Kenya Quality Model for Health Policy Guidelines and the Nyeri County Health Services Act, 2015 and may have hindered the realization of the Government program on Universal Health Coverage.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

262. Lack of Usage Trail on Medical/Clinical Costs

The statement of financial performance reflects medical/clinical costs of Kshs.9,407,582 and as disclosed in Note 15 to the financial statements. However, the following anomalies were noted: -

262.1 Laboratory Chemicals and Reagents

Included in medical/clinical costs is Kshs.1,084,564 on laboratory chemicals and reagents which were procured, received, inspected and issued in bulky to the laboratory due to lack of supply chain control store equipped with freezers and refrigerators. The issuance of the reagents in bulk to the end-user/laboratory staff compromised the internal controls on the accountability of the reagents. Further, the reagents could not be traced to specific patients and the amount charged for the test. In addition, there was no reconciliation on issued items, used item, tests conducted, breakages, spillage, expired and revenue generated.

262.2 Food and Ration

Included in medical/clinical costs is food and ration amount of Kshs.2,037,319 which included Kshs.1,125,980 incurred on food items issued to the kitchen in bulk without the support of patients register from the nurse in-charge and diet sheet from the nutritionist.

262.3 Pharmaceutical Supplies

Included is pharmaceutical supplies expenditure amount of Kshs.2,524,650 which includes Kshs.2,119,200 on drugs supplied, inspected and accepted but issued in bulk to the pharmacy without controls from the main store. Further, the drugs could not be traced to specific patients and the revenue or amount charged. In addition, there was no reconciliation on received drugs, drugs issued to the patients, breakages, spillage, expired and revenue generated.

In the circumstances, the weak controls may result into loss or misuse of laboratory chemicals and reagents, food and ration and pharmaceuticals products.

263. Non-Functional Operating Theatre

Review of the Hospital's operations revealed that the hospital's operating theatre had not been functional since the year 2018. Though, the theater room was under renovations, no documentation or pre-renovation report was provided on the conditions of the theater and its equipment which were still in the same building under renovation. In addition, the Hospital did not have theatre surgeons and nurses and no plans had been put in place to confirm availability after the renovations.

In the circumstances, the theatre equipment may become damaged, obsolete resulting loss of public funds and the facilities may remain unused due to lack of surgeons and theater nurses.

264. Lack of Risk Management Policy

During the financial year under review, the Hospital did not have a risk management strategy in place and therefore, had no approved processes and guidelines on how to mitigate operational, legal and financial risks. Consequently, the Management did not perform formal risk assessments on all key financial risk areas such as cash, revenue and expenditure. Further, it was noted that the Management lacks a disaster recovery plan/business continuity plan and therefore crucial information may not be recovered in the event of a disaster. This was contrary to Regulation 158 of the Public Finance Management (County Governments) (Regulations, 2015).

In the absence of a risk management policy, the Management was not in a position to identify individual risks, significance areas, likelihood of occurrence of identified risks and the appropriate control measures.

265. Inadequate Storage Space

During the year under review, the Hospital did not have sufficient space for orderly receipt, warehousing, and dispatch of food items, vaccines and drugs. The refrigerated and freezing storage environments were not fitted with signals to indicate that refrigeration has failed. In addition, no written procedures and programs for pest control and no appropriate written procedures for the clean-up of any spillage to ensure the complete removal of any risk of contamination.

In the circumstances, the proper storage of food items, vaccines and drugs could not be confirmed.

OTHAYA SUB-COUNTY HOSPITAL - COUNTY GOVERNMENT OF NYERI

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

266. Non-Compliance with Public Sector Accounting Standards Board Templates

Contrary to the guidelines and templates prescribed by the Public Sector Accounting Standards Board for Public Sector Entities reporting under IPSAS Accrual Basis Financial Reporting Framework, the following errors and omissions were noted in the financial statements and the accompanying information provided for audit: -

- i. The page header was missing from the table of contents.
- ii. The description of Note 22, 23 and 24 reflected in the statement of financial performance was inconsistent with the description at the disclosure notes.
- iii. Page 20, 42, 44 and 48 were left blank.
- iv. The financial statement include guiding information in Appendix IV and V. In addition, the appendices were numbered pages 50 and 51 instead of 58 and 59 resulting in inconsistency in pagination.

In the circumstances, the financial statements do not conform to the format prescribed by the Public Sector Accounting Standard Board (PSASB).

267. Unsupported Revenue from Exchange Transactions

The statement of financial performance reflects income from exchange transaction-medical services amount of Kshs.23,840,169 as disclosed in Note 11 to the financial statements. However, the monthly income schedules were not supported with departmental daily schedules, monthly departmental reconciliations, amount paid, write-offs, waivers, exemptions and amount banked.

In the circumstances, the accuracy and completeness of receipts from exchange transactions-medical services amount of Kshs.23,840,169 could not be confirmed.

268. Unsupported Employee Costs

The statement of financial performance and as disclosed in Note 16 to the financial statements reflects employee costs of Kshs.2,130,613. However, the expenditure was not supported with employee's schedule, contracts of employment, muster rolls and payment schedules.

In the circumstances, the accuracy and completeness of employee costs amounting to Kshs.2,130,613 could not be confirmed.

269. Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.3,635,729. However, the cash book balance was not supported with cash survey report and was not reconciled with the bank balance of Kshs.11,546,392 resulting in an unreconciled variance of Kshs.7,910,662.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.3,635,729 could not be confirmed.

Other Matter

270. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.55,529,127 and Kshs.41,493,255 respectively resulting in an under realization of the budget by Kshs.14,035,877 or 25% of the budget. Similarly, the actual expenditure reflects an amount of Kshs.38,082,041 against an approved budget of Kshs.55,529,127 resulting in an under-expenditure of Kshs.17,447,086 or 31% of the budget.

The under realization of the budgeted revenue and budget under absorption affected the planned activities and may have impacted negatively on service delivery towards achieving universal health coverage.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

271. Inadequacies in Universal Health Coverage Under Quality Health Model

Comparison of the Hospital operations against the requirements of the Quality Health Model revealed the following inadequacies;

271.1 Under-Staffing of Health Workers

During the year under review, the Hospital had only one Medical Officer contrary to the sixteen (16) recommended by the Kenya quality model for health which represents a deficit of 94%. Further, the Hospital did not have an anaesthesiologists, a general surgeon, a gynecologist, a pediatrician, and a radiologist. The Quality Health Model recommends two of each of the specialist representing 100% deficit. Further, Kenya Registered Community Health nurses were only thirty six (36) from the recommended seventy five (75) representing a deficit of 52%.

271.2 Inadequate Services Offered in the Hospital

During the year under review, the Hospital only offered three fully operational services (in-patients with seventy seven (77) beds, radiology and tuberculosis management) out

of the ten surveyed. Further, pediatric services was partially operational without a pediatrician, while surgical, gynecological, renal dialysis, mortuary and autopsy, advanced life support, caesarian sections and surgical operations services were not available.

271.3 Inadequate Operational Equipment

During the year under review, the Hospital had only seventy seven (77) inpatient beds instead of the recommended one hundred and fifty (150) beds representing 49% deficit. Further, the Hospital had no resuscitative unit in theater against the recommended one, and one in labor ward against the recommended two, zero new born unit-incubators against the recommended five, zero new born unit cots against the recommended five, zero functional intensive care unit-beds against the recommended six, zero high dependency unit-beds from the recommended six and zero renal unit dialysis machines against the recommended five. In addition, the Hospital had no functional operating theaters maternity and general against the recommended two.

271.4 Inadequate Operational Departments

During the year under review, the Hospital had only six operational departments out of the twenty-four recommended departments representing 79% deficit. The operational departments included: Laboratory Department Class D, Imaging Department, General Ward Unit, Dental Department, Infectious Disease Department and Pediatric Department which was operational without a pediatrician.

271.5 Inadequate Storage Facilities

During the year under review, the Hospital did not have sufficient space for orderly receipt, warehousing, and dispatch of food items, vaccines and drugs. The refrigerated and freezing storage environments were not fitted with signals to indicate that refrigeration had failed. In addition, there were no written procedures and programs for pest control and appropriate written procedures for the clean-up of any spillage to ensure the complete removal of any risk of contamination.

In the circumstances, the Hospital was not operating effectively towards achieving the universal health coverage under Quality Health Model.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

272. There were no material issues relating to effectiveness of internal controls, risk management and governance.

KARATINA SUB-COUNTY HOSPITAL - COUNTY GOVERNMENT OF NYERI

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

273. Non-Compliance with Public Sector Accounting Standards Board Requirements

Review of the financial statements revealed that the statement of changes in net assets was not prepared. This was contrary to the requirements of the guidelines of the reporting template issued by the Public Sector Accounting Standards Board

In the circumstances, the annual reports and the financial statements did not comply with the Public Sector Accounting Standards Boards template.

274. Inaccuracies in Liabilities

The statement of financial position reflects total current liabilities balance of Kshs.10,029,450 relating to trade and other payables as disclosed in Note 21 to the financial statements. However, the statement reflects total liabilities balance of Kshs.21,884,141 instead of a balance of Kshs.10,029,450 resulting in an unexplained variance of Kshs.11,814,691.

In the circumstances, the accuracy and completeness of the total liabilities balance of Kshs.21,884,141 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

275. Non-Compliance with Universal Health Coverage Requirements

Review of service output from the Kenya Health Information System (KHIS) against the basic essential healthcare services that the Hospital offers revealed that the Hospital does not offer some of the services accredited to a Level 4 Hospital. In overall, the Hospital fails to actualize its role in universal health coverage through offering primary services.

In the circumstances, the public may not realize the expected level of service delivery from the Hospital.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

276. Use of Casual Employee in Management of Health Management Information System

The Hospital is operating a Health Management Information System. The software is used for three major purposes in the Hospital namely, point of sale for receipting of patients, clerking of patients and billing of the inpatient at the point of discharge. Review of the operations revealed that the Hospital relies on a casual employee who has been managing the system since July, 2021. The casual employee is bestowed with the responsibility of managing both hardware and software in the Hospital.

In the circumstances, the effectiveness of management of the system could not be confirmed.

277. Lack of a Risk Management Policy

The Hospital did not have a Risk Management Policy in place. This was contrary to Regulation 158 of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall ensure that the county government entity develops risk management strategies, which include fraud prevention mechanism; and a system of risk management and internal control that builds robust business operations.

In the circumstances, it was not possible to confirm effectiveness of risk management at the Hospital.

278. Lack of Internal Audit Function

The Hospital had not established an internal audit department and no internal audit reviews were carried out during the year under review. This was contrary to Regulation 153 of the Public Finance Management (County Governments) Regulations, 2015 which stipulates the role of the internal audit as reviewing and evaluating budgetary performance, financial management, transparency and accountability mechanisms and processes in county government entities.

In the circumstances, the governance system of the Hospital could not be confirmed.

MUKURWEINI SUB-COUNTY HOSPITAL - COUNTY GOVERNMENT OF NYERI

REPORT ON THE FINANCIAL STATEMENTS

Basis Qualified for Opinion

279. Non-Disclosure of Property, Plant and Equipment

The statement of financial position did not include the Hospital's property, plant and equipment as at 30 June, 2022. However, physical verification revealed that the Hospital had assets with undetermined value that had not been disclosed in the financial statements.

In the circumstances, the accuracy and completeness of the statement of financial position could not be confirmed.

Other Matter

280. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.49,868,278 and Kshs.38,371,862 respectively resulting in an under-collection of Kshs.11,496,416 or 23% of the budget. Similarly, the Hospital expended a total of Kshs.34,831,009 against an approved budget of Kshs.49,868,278 resulting in an under-expenditure of Kshs.15,037,269 or 30% of the budget.

The underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

281. Non-Compliance with Universal Health Coverage Services Delivery

Review of service output from the Kenya Health Information System (KHIS) against basic essential healthcare services that the Hospital offers revealed that the hospital does not offer some of the services accredited to a Level 4 hospital. This is contrary to Gazette Notice No. 786 Vol.CXXII No. 24 of 4 February, 2020 that provides for classification of healthcare facilities including the basic essential primary services each level should carry out.

In the circumstances, Management was in breach of the gazette notice.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

282. Lack of Internal Audit Function

During the year under review, the Hospital had not established an internal audit department. This is contrary to Regulation 153 of the Public Finance Management (County Governments) Regulations, 2015 which stipulates the role of the internal audit as reviewing and evaluating budgetary performance, financial management, transparency and accountability mechanisms and processes in county government entities.

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

283. Lack of a Risk Management Policy

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

In the circumstances, the effectiveness of risk management could not be confirmed.

KARATU HOSPITAL - COUNTY GOVERNMENT OF KIAMBU

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

284. Inaccuracies in the Statement of Financial Position

The statement of financial position reflects total assets balance of Kshs.1,084,033 and total equity and liabilities of Kshs.26,573,549 resulting in an unexplained and unreconciled variance of Kshs.25,489,516.

In the circumstances, the accuracy and completeness of the balances in the statement of financial position could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

285. Non-Compliance with the Universal Health Coverage Service Delivery

Review of service output from the Kenya Health Information System (KHIS) against the basic essential healthcare services revealed that the Hospital does not offer some of the services accredited to a Level 4 hospital. In overall, the Hospital fails to actualize its role in universal health care through offering primary services.

In the circumstances, the Hospital was not in a position to offer all medical services to the public to achieve universal health coverage as stipulated by article 43(1) of the Constitution of Kenya, 2010.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

286. Lack of a Risk Management Policy

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

In the circumstances, the effectiveness of risk management could not be confirmed.

287. Lack of Internal Audit Function

The Hospital has not established an internal audit department and no internal audit reviews were carried out contrary to Regulation 157 of the Public Finance Management (County Governments) Regulations, 2015 which stipulates the role of the internal audit as reviewing and evaluating budgetary performance, financial management, transparency and accountability mechanisms and processes in county government entities.

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

LARI HOSPITAL - COUNTY GOVERNMENT OF KIAMBU

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

288. Errors and Inaccuracies in the Financial Statements

Review of the financial statements prepared and presented for audit revealed the following errors and inaccuracies: -

- i. The statement of financial performance reflects medical/clinical costs amount of Kshs.2,018,846 while the statement of cash flows reflects Kshs.1,431,494 resulting to an unexplained variance of Kshs.587,352.
- ii. The statement of financial performance reflects employee costs of Kshs.75,741,370 while the statement of cash flows reflects Kshs.1,462,340 resulting to unexplained variance of Kshs.74,279,030.
- iii. The statement of cash flows reflects purchase of property, plant and equipment of Kshs.1,045,414 while additions during the year were Kshs.875,414 resulting to an unexplained variance of Kshs.170,000.
- iv. The statement of cash flows reflects cash and cash equivalents balance at the end of the year of Kshs.1,963,803 while recomputation revealed Kshs.7,696,263, resulting to an unexplained variance of Kshs.5,732,460.
- v. The statement of cash flows reflects Nil net cash flows from operating activities instead of recomputed amount of Kshs.8,424,674.
- vi. The statement of financial performance reflects net surplus for the year of Kshs.8,424,674 which was not disclosed in the statement of changes in net assets.
- vii. The statement of financial position reflects inventories balance of Kshs.4,132,600 while Note 30 to the financial statements reflects Kshs.3,902,600 resulting in an unexplained variance of Kshs.230,000.
- viii. The ICPAK number for the head of finance was not indicated in the financial statements.
- ix. Page numbers 8 to 18 were omitted in the financial statements.

In the circumstances, the presentation, accuracy and completeness of the financial statements could not be confirmed.

289. Variances between the Financial Statements and Supporting Schedules

The financial statements reflect amounts that differed with the supporting schedules as detailed below:-

Component	Financial Statement Amount (Kshs.)	Supporting Schedules Amount (Kshs.)	Variance (Kshs.)
Medical/Clinical Costs	2,018,846	1,180,360	838,486
Employee Costs	75,741,370	0	75,741,370
Repairs and Maintenance	840,956	578,696	262,260
General Expenses	2,743,656	3,335,909	592,253
Receivables from Exchange Transactions	6,262,859	0	6,262,859
Inventory	4,132,600	0	3,902,600

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

290. Variance in the Cash and Cash Equivalents Balance

The statement of financial position and as disclosed in Note 27(b) to the financial statements reflects cash and equivalents balance of Kshs.1,936,803. The balance includes Facility Improvement Fund (FIF) balance of Kshs.658,713 while the cash book reflects Kshs.103,973, resulting to unreconciled variance of Kshs.554,740.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.658,713 could not be confirmed.

291. Unsupported Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.1,045,414 as disclosed in Note 31 to the financial statements. However, the supporting schedule indicating the description of assets, their location and values were not provided for audit. In addition, the value of the parcel of land on which the Hospital is situated and the new hospital building cost were omitted from the financial statements. Further, the title deed to the parcel of land was not provided for audit review.

In the circumstances, the accuracy, ownership and valuation of property, plant and equipment balance of Kshs.1,045,414 could not be confirmed.

Other Matter

292. Budgetary Control and Performance

The statement of comparison of budget and actuals amounts reflects final revenue budget of Kshs.86,055,982 against actual expenditure of Kshs.81,063,171, resulting in under-expenditure of Kshs.4,992,811 or 5% of the budget.

The under-performance affected the planned activities and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

293. Delayed Disposal of Expired Pharmaceutical Supplies

The statement of financial position reflects inventories balance of Kshs.4,132,600 which, as disclosed in Note 30 to the financial statements includes an amount of Kshs.2,120,400 relating to pharmaceutical supplies which further includes expired drugs worth Kshs.450,000. Review of records and physical verification revealed that the Hospital held in store expired pharmaceutical products in excess of the periods or time limits allowed by Part VI (42) of National Environmental Management Authority Waste Management Regulations, 2006. The Regulations provides that no person shall store biomedical waste above 0° centigrade for more than seven days without the written approval of the relevant lead agency, provided that untreated pathological waste shall be disposed of within 48 hours.

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

294. Unbalanced Budget

The statement of comparison of budget and actuals amounts reflects budgeted receipts of Kshs.86,055,982 and budgeted expenditure of Kshs.81,029,543 resulting to budget imbalance of Kshs.5,026,439. This was contrary to Regulation 31(c) of the Public Finance Management (County Governments) Regulations, 2015 which states that the budget shall be balanced.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

295. There were no material issues relating to effectiveness of internal controls, risk management and governance.

TIGONI HOSPITAL - COUNTY GOVERNMENT OF KIAMBU

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

296. Inaccuracies in the Financial Statements

Review of the financial statements revealed the following errors and inaccuracies;

- i. The statement of financial position reflects total assets balance of Kshs.94,850,901 against total net assets and liabilities balance of Kshs.181,259,917 resulting in unreconciled variance of Kshs.86,409,016. Further, recasting of the total net assets and liabilities totalled to Kshs.86,409,016 resulting in unexplained variance of Kshs.8,441,885. In addition, the net assets and liabilities reflects a balance of Kshs.181,259,917, recasting reflects a balance of Kshs.8,441,885 resulting in an unexplained variance amounting to Kshs.172,818,032. Therefore the statement of financial position was not balanced.
- ii. The statement of financial position reflects accumulated surplus balance of Kshs.5,637,160 that differed with the statement of changes in net assets Nil balance resulting in an unexplained variance of Kshs.5,637,160.
- iii. The statement of financial position reflects cash and cash equivalents balance of Kshs.455,4450 which differs with the amount of Kshs.455,445 disclosed in Note 27 to the financial statements.
- iv. The statement of cash flows reflects no decrease/(increase) in cash and cash equivalents whereas net cashflows from operating activities reflects an amount of Kshs.300 which has not been adjusted in the statement of cash flows. Further, the statement of cash flows reflects no decrease/(increase) in cash and cash equivalents whereas the cash and cash equivalents as at 1 July, 2021 and 30 June, 2022 reflects a balance of Kshs.2,661,734 and Kshs.455,445, respectively, resulting in an unexplained variance of Kshs.2,206,289.
- v. The statement of financial position reflects receivables, inventories, and payables balance of Kshs.8,493,460, Kshs.85,901,996 and Kshs.80,771,856, respectively as disclosed in Note 28, 30 and 34 to the financial statements. However, the working capital adjustments was not taken into account in the statement of cash flows.
- vi. The amounts and balances in the statement of cash flows were not referenced by way of Notes to the financial statements.
- vii. The table of contents on Key Entity Information and Management to Report of the Independent Auditor are in numerical numbers instead of roman numbers.
- viii. The statement of financial performance is on page 33 instead of page 1.

In the circumstances, the accuracy, completeness, presentation and disclosure of the financial statements could not be confirmed and Management did not comply with the financial statements reporting template requirements.

297. Variance between the Financial Statements and Supporting Schedules

The financial statements reflects amounts that differed with the supporting schedules as detailed below:-

Component	Financial Statements Amount (Kshs.)	Supporting Schedules Amount (Kshs.)	Variance (Kshs.)
Public Contributions and Donations	50,000	0	50,000
Rendering of Services - Medical Service Income	14,806,807	0	14,806,807
Revenue from Rent Facilities	36,800	0	36,800
Medical/Clinical Costs	37,067,582	8,341,203	28,726,379
Employee Costs	289,356,204	4,828,596	284,527,608
Board of Management Expenses	80,000	0	80,000
Repairs and Maintenance	9,716,225	414,405	9,301,820
General Expenses	12,030,000	10,057,380	1,972,620
Inventory	85,901,996	0	85,901,996

In the circumstances, the accuracy, completeness, presentation and disclosure of the financial statements could not be confirmed.

298. Unsupported Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs.8,493,460 as disclosed in Note 28 to the financial statements. However, detailed schedule indicating particulars of the patients, services rendered and amount owed by each was not provided for audit.

In the circumstances, the existence, accuracy and completeness of the receivables from exchange transactions balance of Kshs.8,493,460 could not be confirmed.

299. Unsupported Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.80,771,856 as disclosed in Note 34 to the financial statements. However, detailed schedule indicating particulars of the creditors, goods or services supplied, invoice number and amount due were not provided by the Management for audit review.

In the circumstances, the existence, accuracy and completeness of trade and other payables balance of Kshs.80,771,856 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

300. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

301. There were no material issues relating to effectiveness of internal controls, risk management and governance.

LUSIGETTI HOSPITAL - COUNTY GOVERNMENT OF KIAMBU

REPORT ON THE FINANCIAL STATEMENTS

Basis for Adverse Opinion

302. Inaccuracies in the Financial Statements

Review of the financial statements revealed the following errors and inaccuracies:

- i. The statement of financial performance reflects amounts that differed with the statement of cash flows amounts as detailed below;

Component	Statement of Financial Performance Amount (Kshs.)	Statement of Cash Flows Amount (Kshs.)	Variance (Kshs.)
In-Kind Contribution from the County Government	72,946,556	72,910,556	36,000
Medical/Clinical Costs	269,800	525,448	(255,648)
Employee Costs	525,448	72,910,556	(72,385,108)
Repairs and Maintenance	85,540	139,040	(53,500)
General Expenses	522,757	276,262	246,495

- ii. The statement of financial performance reflects total payments of Kshs.934,288 which differed with the recomputed amount of Kshs.1,403,545 resulting in an unexplained variance of Kshs.469,257. In addition, the statement reflects Nil net surplus for the year against the recomputed amount of Kshs.74,076,594
- iii. The statement of financial position reflects negative total net assets and liabilities of Kshs.2,197,663 while casting revealed Kshs.2,949,862 resulting in an unreconciled variance of Kshs.5,147,525.
- iv. The statement of financial performance reflects a recomputed net surplus of Kshs.74,076,594 which was not disclosed in the statement of financial position and statement of changes in net assets.
- v. The statement of cash flows reflects cash and cash equivalents balance of Kshs.749 where the recomputed balance was Kshs.1,453,099 resulting in an unreconciled variance of Kshs.1,452,350.
- vi. The statement of financial position reflects total assets of Kshs.752,199 while total net assets and liabilities was negative of Kshs.2,197,663 resulting in an unreconciled variance of Kshs.2,949,862.

- viii. The statement of financial performance reflects total revenue of Kshs.75,480,139 while in the statement of comparison of budget and actuals amounts reflects Kshs.4,240,083 resulting in an unreconciled variance of Kshs.71,240,056.
- ix. The statement of comparison of budget and actual amounts did not indicate the total expenditures and surplus for the period.
- x. The statement of cash flows reflects cash and cash equivalent as at 30 July instead of 30 June, 2022.

In the circumstances, the accuracy and completeness of financial statements could not be confirmed.

303. Variances between Financial Statements and Supporting Schedules

The financial statements and supporting schedules had the following variances.

Component	Note	Financial Statement Amount (Kshs.)	Supporting Schedules Amount (Kshs.)	Variance (Kshs.)
In-Kind Contribution from County Government	7	72,946,556	72,910,556	36,000
Rendering of Services – Medical Services	11	2,533,583	1,706,500	827,083
Repairs and Maintenance	19	85,540	0	85,540
General Expenses	21	522,757	522,757	247,257
Inventory	30	751,450	0	751,450
Trade and Other Payables	34	2,949,862	0	2,949,862

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

304. Unsupported Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.749 as disclosed in Note 27 to the financial statements. However, this balance was not supported by cash book extract and the relevant bank reconciliation statement.

In the circumstances, the accuracy and completeness of the cash and cash equivalent balance of Kshs.749 could not be confirmed.

305. Unsupported Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects a revenue budget of Kshs.1,449,918 and actual receipts of Kshs.4,240,083 resulting in excess receipts of Kshs.2,790,165 or 192% of the budget. Similarly, the statement reflects final expenditure

budget and actual on comparable basis of Kshs.1,627,175 and Nil expenditure respectively. However, the approved budget was not provided for audit.

The under-funding and under-expenditure constrained execution of planned activities and delivery of services to the residents.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

306. Expired Pharmaceutical Supplies

The statement of financial position reflects inventory balance of Kshs.751,450 as disclosed in Note 30 to the financial statements. The balance includes a balance of Kshs.684,680 in respect of pharmaceutical supplies. Review of records and physical verification revealed that the Hospital had in store expired pharmaceutical products for periods in excess of the allowed limit. This was contrary to the provisions of Part VI (42) of National Environmental Management Authority (NEMA) Regulations, 2016 which states that no person shall store biomedical waste above 0° C for more than seven days without the written approval of the relevant lead agency, provided that untreated pathological waste shall be disposed of within 48 hours.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

307. There were no material issues relating to effectiveness of internal controls, risk management and governance.

WANGIGE HOSPITAL - COUNTY GOVERNMENT OF KIAMBU

REPORT ON THE FINANCIAL STATEMENTS

Basis for Adverse Opinion

308. Inaccuracies in the Financial Statements

Review of the financial statements of the Hospital for the year under review revealed the following inaccuracies:

- i. The statement of financial position reflects total net assets and liabilities of Kshs.10,156,467 which differed with the recomputed balance of Kshs.3,169,763 resulting in an unexplained variance of Kshs.6,986,704.
- ii. The statement of cash flow reflects other receipts (bank balance) of Kshs.2,690,975 which is excluded from statement of performance and financial position resulting in unreconciled balance of Kshs.2,690,975.
- iii. The statement of cash flows reflects total payments of Kshs.5,869,325 while the statement of financial performance reflects total payments of Kshs.123,849,313 resulting in unexplained variance of Kshs.117,979,988.

In the circumstances, the accuracy and presentation of the financial statements could not be confirmed.

309. Unsupported Revenue from Non-Exchange Transactions

309.1 Transfers from County Government

The statement of financial performance reflects transfers from County Government totalling to Kshs.9,075,099 as disclosed in Note 6 to the financial statements. Included in the amount is Kshs.2,507,272 which was not recorded in the cash book, bank statement nor supported by Authority to Incur Expenditure (AIE). In addition, the amount excludes Kshs.941,931 recorded in cash book and bank statement as receipts from the County Government of Kiambu.

In the circumstances, the accuracy and completeness of transfers from the county government of Kshs.9,075,099 could not be confirmed.

309.2 In-Kind Contribution from County Government

The statement of financial performance reflects in-kind contribution from the County Government amounting to Kshs.108,111,099 which, as disclosed in Note 7 to the financial statements relates to employee salaries and wages paid directly by the County Government of Kiambu. However, the payroll for the employees was not provided for audit.

In the circumstances, the accuracy and completeness of in-kind contribution amounts of Kshs.108,111,099 could not be confirmed.

310. Revenue from Exchange transactions

310.1 Unsupported Rendering of Services-Medical Service Income

The statement of financial performance reflects Nil balance in respect to rendering of services – medical service income. However, Note 11 to the financial statements reflects an amount of Kshs.13,134,338 resulting in unexplained variance of Kshs.13,134,338. Further, analysis of the Hospital revenue collection system revealed a total revenue collection of Kshs.21,327,024, out of which, Kshs.9,075,099 or 40% was refunded to the Hospital by the County Government.

In the circumstances, the accuracy and completeness of medical services income could not be confirmed.

310.2 Unaccounted for NHIF and Linda Mama Funds

The statement of financial performance reflects Nil balance in respect to revenue from exchange transactions. Records provided for audit reflected a total of Kshs.14,733,240 in respect to NHIF and Linda Mama reimbursements. However, Kshs.11,148,592 was transferred to Kiambu County Facility Improvement Fund resulting in unexplained variance of Kshs.3,584,648. Further, despite the NHIF bank account having been in operation during the year, it was not used for the reimbursements.

In the circumstances, the accuracy and completeness of NHIF and Linda Mama Funds could not be confirmed.

311. Unsupported Expenditure Balances

The statement of financial performance reflects total expenses amounting to Kshs.123,849,313. However, supporting schedules for the expenditures were not provided for audit.

In the circumstances, the accuracy and completeness of total expenses amounting to Kshs.123,849,313 could not be confirmed.

312. Variances in Cash and Cash Equivalents Balance

The statement of financial position reflects cash and cash equivalent balance of Kshs.5,897,335 as disclosed in Note 27 to the financial statements. However, the cash book reflects a balance of Kshs.14,330 resulting in unexplained variance of Kshs.5,883,005. Further, the bank reconciliation statement includes unrepresented cheques totalling Kshs.5,883,005, out of which Kshs.1,493,254 were in respect of payments made after the closure of the financial year.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.5,897,335 could not be confirmed.

313. Unsupported Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs.2,340,738 as disclosed in Note 28 to the financial statements. However, a detailed supporting schedule indicating names of vendors, service or goods supplied and amount owed was not provided for audit.

In the circumstances, the accuracy and completeness of receivables from exchange transactions balance of Kshs.2,230,738 could not be confirmed.

314. Unsupported Inventories Balance

The statement of financial position reflects inventories balance of Kshs.1,918,394 as disclosed in Note 30 to the financial statements. However, a detailed supporting schedule indicating description of inventory, quantity in stock, cost or valuation was not provided for audit.

In the circumstances, the accuracy and valuation of inventories balance of Kshs.1,918,394 could not be confirmed.

315. Unsupported Trade and Other Payables Balance

The statement of financial position reflects trade and other payables balance of Kshs.3,493,352 as disclosed in Note 34 to the financial statements. However, a detailed supporting schedule indicating names of vendors, service or goods supplied and amount payable was not provided for audit.

In the circumstances, the accuracy and completeness of trade and other payables balance of Kshs.3,493,352 could not be confirmed.

Other Matter

316. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a revenue budget of Kshs.9,075,099 and an expenditure budget of Kshs.123,849,313 against actual revenue and expenditure of Kshs.9,075,099 and Kshs.123,849,313 respectively. However, the approved budget was not provided for audit contrary to Regulations 29(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer to ensure that the draft estimates relating to his or her department are prepared in conformity with the Constitution, Act and Regulations.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

317. Errors in Presentation and Disclosure in the Financial Statements

Review of the financial statements revealed the following anomalies: -

- i. The chairman's report on page xii is not signed.
- ii. Management discussion and analysis on page xix includes a guiding note as part of the statement.
- iii. Report of the Board of Management on page xxv is not signed.
- iv. Pages 2,4,5,7 and 9 are not signed by chairperson to the Board of Management.
- v. The balances in the statement of cash flows are not referenced by way of notes to the financial statements.
- vi. The deficit for the year is not reflected in the statement of changes in net assets.

In the circumstances, Management did not comply with the presentation and disclosure requirements of International Public Sector Accounting Standards Board (IPSASB).

318. Late Remittance of Statutory Contributions

The statement of financial performance reflects employee costs amounting to Kshs.111,758,141 which, as disclosed in Note 16 to the financial statement includes Kshs.3,647,042 in respect to casual wages. The casual wages amount include statutory deductions to NSSF of Kshs.32,800 and NHIF Kshs.112,850 all totalling to Kshs.145,650, which were remitted to the respective institutions after their due dates. This was contrary to Section 27(1) of the National Social Security Fund Act, 2013 and Section 16 of the NHIF Act 2012 which requires the deductions to be remitted to both Funds within the due dates.

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

319. Unremitted Pay As You Earn (PAYE)

Analysis of the payroll revealed that Management was yet to remit Pay As You Earn (PAYE) deductions totalling Kshs.58,599 recovered from casual employees' wages during the year under review. This was contrary to Section 37 of the Income Tax Act, 2014 which requires the tax to be remitted on or before the tenth day of the month following the recovery.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

320. Inconsistencies in Revenue Collection Systems

Review of the Hospital Information Management System revealed that revenue amounting to Kshs.14,639,224 was collected in respect of rendering of services. However, the Hospital records reflected Kshs.15,207,927 resulting in unreconciled variance of Kshs.568,703. In addition, revenue collection account and Mpesa statements for Kshs.14,639,224 receipts were not provided for audit.

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

321. Receipting System

Review of the receipting systems revealed that, a thermal printer used for generation of electronic receipts was not integrated to the collection systems and was manually triggered. Further, the receipts were not serially numbered or reconciled with the Mpesa transactions. In addition, Hospital charges and tariffs were not mapped in the Hospital's Information Management System.

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

322. Management of Pharmaceuticals and Non-pharmaceuticals

Review of procurement records revealed that the Hospital procured, received and recorded pharmaceuticals products in the stock control cards at the stores. However, examination of the drug stock control cards revealed that batch numbers and expiry date for the drugs were not captured in the bin cards. As a result, the First Expiry First Out (FEFO) stock control method was not applied and this may lead to expiry of drugs.

In the circumstances, the effectiveness of internal controls designed for effective stock control management for pharmaceuticals and non-pharmaceuticals could not be confirmed.

NYATHUNA HOSPITAL - COUNTY GOVERNMENT OF KIAMBU

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

323. Inaccuracies in the Financial Statement

Review of the financial statements revealed the following errors and inaccuracies:-

- i. The statement of financial position reflects total assets balance of Kshs.1,428,409 against total net assets and liabilities of Kshs.2,369,705 resulting in unreconciled variance of Kshs.941,296.
- ii. The statement of financial performance reflects amounts which differs with the statement of cash flows amounts as detailed below;

Component	Statement of Financial Performance Amount (Kshs.)	Statement of Cash Flows Amount (Kshs.)	Variance (Kshs)
Rendering of Services	1,660,118	1,117,063	543,055
Medical Cost	3,065,610	285,910	2,779,700
Employee Cost	23,367,190	614,606	22,752,684
Board of Management Expenses	28,500	0	28,500

- iii. The statement of financial performance reflects net surplus for the year amounting to Kshs.1,051,080. However, the statement of changes in net assets reflects Nil balance as surplus for the year. The resultant variance has not been explained.
- iv. The statement of financial position reflects cash and cash equivalent balance of Nil balance as disclosed in Note 27 to the financial statements. However, Note 27 (a) reflects a balance of Kshs.444,428 resulting in unexplained variance of Kshs.444,248. Further, the Facility Improvement Fund (FIF) bank reconciliation statement reflects unpresented cheques of Kshs.117,858 out of which Kshs.2,164 are in respect of bank charges which ought to have been expensed.
- v. The statement of financial performance reflects receipts from rendering services amounts of Kshs.1,660,118 as disclosed in Note 11 to the financial statements. However, the amount was not itemized per revenue streams. Further, the supporting schedules reflects Authority to Incur Expenditure (AIE) transfers of Kshs.917,343 and Hospital Pay System collections of Kshs.1,660,118, all totaling to Kshs.2,577,461 resulting in unreconciled variance of Kshs.917,343. In addition, the National Hospital Insurance Fund (NHIF) bank statement reflects collections of Kshs.2,232,701 which differs with ledger amount of Kshs.742,250 resulting in an unreconciled variance of Kshs.1,490,451.

- vi. The statement of comparison of budget and actual amounts do not reflect balances for specific items as reflected in the statement of financial performance.

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

324. Unsupported Balances in the Financial Statements

- i. The statement of receipts and payments reflect amounts that were not supported by the schedules as tabulated below;

Component	Financial Statement Balance (Kshs.)
Medical Costs	3,065,610
Employee Costs	23,367,190
Board of Management Expenses	28,500
General Expenses	216,448
Medical Service Contract	742,250

- ii. The statement of financial position reflects trade and other payables balance of Kshs.1,318,625 as disclosed in Note 34 to the financial statements. However, detailed schedules indicating particulars of creditors, goods or services supplied, invoice numbers and amounts were not provided for audit.
- iii. The statement of financial position reflects receivables from exchange transactions balance of Kshs.1,428,409 as disclosed in Note 28 to the financial statements. However, the detailed schedules indicating particulars of the debtors, invoice numbers and amounts owed were not provided for audit. In addition, the Hospital revenue collection system reflects total receipts amounting to Kshs.3,092,048, out of which Kshs.970,665.60 (or 31%) was disbursed to the Hospital, and yet the remaining balance Kshs.2,121,382 (or 69%) was not recognized as receivables in the financial statements.
- iv. The statement of financial performance reflects in-kind contribution from County Government amount of Kshs.25,326,460 which comprises of salaries and wages totalling Kshs.22,606,160 and medical supplies expenses of Kshs.2,720,300 respectively as disclosed in Note 7 to the financial statements. However, the salaries and wages amount was not supported by monthly payrolls. Further, an amount of Kshs.739,490 was erroneously included as casual employees' wages but was incurred directly by the Hospital and do not qualify as in-kind contributions. In addition, the medical supplies amount of Kshs.2,720,300 was in respect of drawing rights granted to the Hospital by the County to source medical drugs from Kenya Medical Supplies Agency (KEMSA). However, delivery notes provided for audit amounted to Kshs.1,462,359 resulting in unreconciled variance of Kshs.1,257,941.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

325. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a revenue budget of Kshs.1,117,063 and actual receipts of Kshs.1,117,063. Similarly, the statement reflects expenditure budget of Kshs.1,117,063 and actual expenditure of Kshs.1,116,964. However, the approved budget was not provided for audit contrary to Regulation 29(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer to ensure that the draft estimates relating to his or her department are prepared in conformity with the Constitution, Act and the Regulations.

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

326. Unaccounted for Cash Collections

Review of records and interview with Hospital Management revealed that the Hospital operates on a twenty-four (24) hour system. However, the Hospital did not have a night shift cashier, thus revenue collection at night was administered outside the system and was collected either in cash or through MPESA by the attending Doctor/Clinician. Further, Management did not provide any documents that indicate amounts collected from respective departments at night (Registration/Consultations, laboratory and Pharmacy) were handed over from the night shift Doctor to the day shift cashier the following day and reconciliation done to ascertain the balances.

In addition, inquiry revealed that the Hospital in charge collects all receipts every morning for banking. However, records to support such deposits from the bank statements were not provided for audit. This was contrary to the provisions of Regulation 63(1) of the Public Finance Management (County Governments) Regulations, 2015 which provides that, an accounting Officer and a receiver of revenue are personally responsible for ensuring that 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 law.

327. Irregular Board of Management Expenditure

The statement of financial performance reflects Board of Management expenses amounting to Kshs.28,500 as disclosed in Note 17 to the financial statements. However, Management did not provide for audit the recommended and approved rates of remuneration of the Board members in line with the provisions of Section 59(2) of the County Governments Act, 2012 which provides that the County Public Service Board shall make recommendations to the Salaries and Remuneration Commission, on behalf of the

County Government, on the remuneration, pensions and gratuities for County public service employees.

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

328. Late Remittance of Statutory Contributions

Note 16 to the financial statements reflects employee costs totalling Kshs.23,367,190 which includes statutory deductions amount of Kshs.21,200 for seven months comprising of Kshs.15,600 and Kshs.5,600 in respect to National Hospital Insurance Fund (NHIF) and National Social Security Fund (NSSF) respectively deducted from casual employees, but were remitted late to the respective institutions. This was contrary to Section 20 1(A) of the NSSF Act, 2013 and Section 16 of the NHIF Act 2012 which requires an employer to make employee's contribution on the ninth day of each month.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

329. Weaknesses in Revenue Collection Systems

The statement of financial performance reflects revenue from exchange transactions balance of Kshs.1,660,118 as disclosed in Note 11 to the financial statements. However, the following weaknesses were noted in the revenue collection system:

- i. Revenue collection was administered through two revenue management systems which are operated by one cashier.
- ii. The systems were utilized using one computer at the cash office which constantly broke down and whose operational speed reduced the effectiveness of the processes.
- iii. One revenue management system was intentionally under-utilized by the Hospital making it impossible to generate revenue report per department.
- iv. The facility had not installed CCTV and other logical access controls to ensure security of data at the offices.
- v. The thermal printer, for generation of electronic receipts was not integrated to the collection systems. In addition, the receipts were not serially numbered, not reconciled with the Mpesa transactions and hospital charges and tariffs were not mapped in the Health Information System.

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

330. Inadequate Facilities for Universal Health Coverage

During the year under review, the Hospital had difficulties in achieving the universal health coverage goals due to the following reasons;

- i. Inadequate staffing in all departments, despite the hospital being a Level 4 facility operating 24 hours, it has only one medical officer, four clinicians and nine nurses. Further, laboratory, pharmacy and cash office did not have a night shift staff.
- ii. The Hospital did not have renal department, maternity theatres and had a bed capacity of nine (9) patients.
- iii. Laboratory department was not equipped with biochemistry and hematology machines.
- iv. There was no radiology equipment; X-ray and ultra sound machines in the Hospital.
- v. There was no general in-patient wards
- vi. The Hospital did not have incinerators or burning chambers for waste management.
- vii. The Hospital had outstanding salary arrears for skilled casual workers thereby affecting motivation.
- viii. The Hospital had no power back up source and only relies on Kenya Power, therefore the inconsistent power supply affecting its operations.
- ix. There was no ambulance on standby to aide efficient service delivery.

In the circumstances, the Hospital was not in a position to fully offer all medical services to the public to achieve universal Health Coverage as stipulated by Article 43(1) of the Constitution of Kenya, 2010.

KIHARA HOSPITAL - COUNTY GOVERNMENT OF KIAMBU

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

331. Inaccuracies in the Financial Statements

Review of the financial statements revealed the following errors and inaccuracies:

331.1 Errors in the Financial Statements

- i. The statement of financial position reflects a total assets balance of Kshs.79,758,928 against total net assets and liabilities balance of Kshs.17,161,130 resulting in an unexplained variance of Kshs.62,597,798.
- ii. The statement of cash flows reflects employee cost amounting to Kshs.196,501,838 out of which an amount of Kshs.189,692,168 was paid by the County Government, and thus did not involve actual cash outflow from the Hospital.

Further, the statement reflects cash and cash equivalents as at 30 June, 2022 balance of Kshs.144,086. However, recasting of the balance amounted to Kshs.(191,705,348) resulting in an unexplained variance of Kshs.191,849,434.

In addition, the statement reflects a negative net cash flows from operating activities of Kshs.(191,705,348) which differs with Nil balance disclosed in Note 41 to the financial statements.

331.2 Inaccuracies in the Statement of Financial Performance

The statement of financial performance reflects amounts that differed with the supporting schedules amounts as detailed below;

Particulars	Financial Statement Amount (Kshs.)	Supporting Schedule Amount (Kshs.)	Variance (Kshs.)
Medical /Clinical Cost	23,402,681	6,942,756	16,459,925
Employee Cost	196,501,838	9,097,560	187,404,278
Repairs and Maintenance	1,026,196	1,068,942	(42,746)
General Expenses	6,436,017	3,783,583	2,652,434

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

332. Unsupported In-Kind Contribution from County Government

The statement of financial performance reflects in-kind contribution from the County Government of Kiambu totalling to Kshs.189,692,168 which, as disclosed in Note 7 to the financial statements includes salaries and wages (paid directly by the County Government) amounting to Kshs.187,341,878 and pharmaceutical and non-pharmaceuticals supplies amounting to Kshs.2,350,290. However, the monthly payrolls for the Hospital staff and delivery notes and other support documents for the pharmaceutical and non-pharmaceuticals supplies were not provided for audit.

In the circumstances, the accuracy and completeness of in-kind contributions from the County Government of Kiambu totalling to Kshs.189,692,168 could not be confirmed.

333. Inaccuracy of Rendering of Services – Medical Service Income

The statement of financial performance reflects rendering of services—medical service income amounting to Kshs.35,287,927 as disclosed in Note 11 to the financial statements. However, analysis of the Hospital revenue collection system revealed total revenue collection of Kshs.35,365,664 relating to services fees amounts of Kshs.17,636,084 and National Hospital Insurance Fund (NHIF) and Linda Mama claims totalling to Kshs.17,729,580, resulting in an unexplained variance of Kshs.77,737.

In the circumstances, the accuracy and completeness of rendering of services income of Kshs.35,287,927 could not be confirmed.

334. Unsupported National Hospital Insurance Fund (NHIF) Disbursements

The statement of financial performance reflects revenue from rendering of services amounting to Kshs.35,287,297 and as disclosed in Note 11 to the financial statements. However, review of records revealed that included in the amount is NHIF receipts amounting to Kshs.17,410,334 that differed with bank statement amount of Kshs.17,729,580, resulting in an unexplained variance of Kshs.319,246. In addition, the amount differed with total NHIF disbursement to the Hospital amounting to Kshs.14,039,850 resulting in an unexplained variance of Kshs.3,370,484.

In the circumstances, the accuracy and completeness of NHIF total receipts amounting to Kshs.17,410,334 could not be confirmed.

335. Inaccuracy of Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.144,086 which comprised of a balance of Kshs.136,905 and Kshs.7,181 in respect of FIF Account and NHIF Account respectively, as disclosed in Note 27(a) to the financial statements. However, the balance excludes an amount of Kshs.314,138, being the closing balance of an account held in Cooperative Bank of Kenya and whose cash book and bank reconciliation statements were not provided for audit.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.144,086 could not be confirmed.

336. Long Outstanding Receivables from Non - Exchange Transactions

The statement of financial position reflects receivables from non - exchange transactions balance of Kshs.65,783,942 and as disclosed in Note 29 to the financial statements. Review of records revealed that the amount represents long outstanding receivables dating back from 2016/2017 to date from the County Government of Kiambu. Evidence of efforts made by Management to recover the balances was not provided. In addition, Management did not make any provision for bad and doubtful debts in the financial statements.

In the circumstances, the accuracy and recoverability of long outstanding receivables balance of Kshs.65,783,942 could not be confirmed.

337. Unsupported Inventories

The statement of financial position reflects inventories balance of Kshs.2,879,100 and as disclosed in Note 30 to the financial statements. However, the detailed supporting schedule indicating description of inventories, quantity and cost or valuation basis was not provided for audit.

In the circumstances, the accuracy and valuation of inventories balance of Kshs.2,879,100 could not be confirmed.

338. Unsupported Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.124,900 and as disclosed in Note 31 to the financial statements. However, the balance was not supported by a comprehensive asset register and Management has not developed a depreciation policy.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.124,900 could not be confirmed.

339. Un-Amortized Intangible Assets

The statement of financial position reflects intangible assets balance of Kshs.925,000 in respect of a computer software and as disclosed in Note 32 to the financial statements. However, the asset was not amortised due to lack of valuation and amortization policy.

In the circumstances, the valuation and accuracy of intangible assets balance of Kshs.925,000 could not be confirmed.

340. Unsupported Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.19,597,767 which, as disclosed in Note 34 to the financial statements includes trade payables and employee dues amounting to Kshs.17,489,358 and Kshs.2,108,408 respectively. However, the invoices for goods supplied or service rendered, and other support documents for the trade payables balance of Kshs.17,489,358 were not provided for audit.

In the circumstances, the accuracy and completeness of trade payables balance of Kshs.17,489,358 could not be confirmed.

Other Matter

341. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a revenue budget of Kshs.231,692,168 and actual receipts of Kshs.224,980,095, resulting in a revenue shortfall of Kshs.6,712,073. Similarly, the statement reflects expenditure budget of Kshs.226,748,838 and actual expenditure of Kshs.227,416,731, resulting in over expenditure of Kshs.667,893. Further, the approved budget was not provided for audit review and the budget was unbalanced.

The revenue shortfall and over-expenditure may have negatively affected the Hospital's programmes and service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

342. Non - Compliance with the Law on Remittance of Statutory Contributions

Note 16 to the financial statement reflects employee costs totalling Kshs.196,501,838. However, review of records revealed that statutory contributions totalling to Kshs.108,850 which comprised of National Social Security Fund (NSSF) amounts of Kshs.40,800 and National Hospital Insurance Fund (NHIF) totalling to Kshs.68,050 which were remitted after their statutory deadlines. This was contrary to Section 27 (1) of the National Social Security Fund Act, 2013 and Section 16 of the NHIF Act, 2012 which requires them to be remitted to both Funds within the due dates.

Further, Management did not remit Pay As You Earn (PAYE) amounts of Kshs.160,547 recovered from casual employees wages. This was contrary to Section 37 of the Income Tax Act, 2020 which requires the tax to be remitted on or before the tenth day of the month following the recovery.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

343. Weak Internal Controls in Revenue Receipting System

Review of the Hospital revenue receipting system revealed that the thermal printer, for generation of electronic receipts was not integrated to the collection systems and is manually triggered. In addition, the receipts were not serially numbered, not reconciled with the mobile money transfer transactions and Hospital charges and tariffs were not mapped in the Health Information System.

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

344. Weaknesses in Stock Control System

Review of records revealed that the Hospital procured, received pharmaceuticals products and recorded them on the stock control cards. However, the drugs batch number and expiry date were not captured on the bin cards and the First Expiry First Out (FEFO) stock control method was not applied while issuing products leading to expiry of drugs.

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

KARURI HOSPITAL - COUNTY GOVERNMENT OF KIAMBU

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

345. Non-Compliance with Public Sector Accounting Standard Board Reporting Templates

The financial statements provided for audits includes the following anomalies:-

- i. The independent auditors physical address on page vi is reflected as institute way instead of university way.
- ii. The statement of board of Management responsibilities on page xv is not signed.
- iii. Head of finance ICPAK No. is not reflected in the financial statements.
- iv. The balances reported in the statement of cash flows are not referenced by way of Notes to the financial statements.
- v. The surplus for the year is not reflected in the statement of changes in net assets

In the circumstances, the financial statements did not comply with the requirements of Public Sector Accounting Standards Board templates.

346. Inaccuracies in the Financial Statements

Review of the statement of financial performance and the statement of comparison of budget and actuals revealed unexplained and unreconciled differences as detailed below:

Particulars	Statement of Financial Performance (Kshs)	Statement of Comparison of Budget and Actuals (Kshs)	Variance (Kshs)
Other Income NHIF	4,630,015	3,600,000	1,030,015
Transfers from Other Government Entities	0	4,200,000	(4,200,000)
Employee Costs	3,437,400	0	3,437,400
Repairs and Maintenance	278,400	0	278,400
General Expenses	1,460,229	0	1,460,229

Further, the statement of financial position reflects an unexplained variance of negative Kshs.2,276,819 that was used as a balancing amount.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

347. Unsupported Expenditure

The statement of financial performance reflects employee and repairs and maintenance cost of Kshs.3,437,400 and Kshs.278,400 respectively. However, the supporting schedule reflected amount of Kshs.3,234,300 and Kshs. Nil for the two items respectively resulting in unexplained variances of Kshs.203,100 and Kshs.278,400 respectively.

In the circumstances, the accuracy and completeness of the expenditure of Kshs.3,715,800 could not be confirmed.

Other Matter

348. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total revenue budget of Kshs.7,313,074 and actual receipts of Kshs.7,800,000, resulting in excess revenue of Kshs.486,926. Similarly, the statement reflects Nil balance expenditure against an approved budget of Kshs.7,093,224 resulting in an under-expenditure of Kshs.7,093,224. Further, the budget was unbalanced.

The under-expenditure affected planned activities and may have negatively impacted on services delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

349. There were no material issues raised on lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

350. Lack of Risk Management Policy

The Hospital Management had not developed a risk management policy for the Hospital and no formal risk assessments were done during the financial year under review. This is contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 provides that the Accounting Officer shall ensure that the entity develops risk management strategies, which include fraud prevention mechanism; and a system of risk management and internal control that builds robust business operations.

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

351. Lack of Policy Documents

Records provided for audit revealed that the Hospital, was operating without human resource policy and procedures manual, finance and accounting manual, assets management policy, transport management policy, IT policy, disaster recovery plan and backup and retention strategy.

In the circumstances, it was not possible to confirm whether the Hospital's operation were effectively managed without the policy documents.

352. Non - Maintenance of Cash Books

Records provided for audit indicated that the Hospital did not maintain cash books and did not prepare monthly bank reconciliations for the Mpesa Co-operative Collection account and KCB-NHIF collections account. Management did not provide explanations for the omission.

In the circumstances, the internal controls relating to cash and bank were not functioning as intended.

KIGUMO HOSPITAL - COUNTY GOVERNMENT OF KIAMBU

REPORT ON THE FINANCIAL STATEMENTS

Basis for Adverse Opinion

353. Unconfirmed Opening Balances and Comparatives Figures

Management did not submit financial statements for 2020/2021 financial year for audit.

In the circumstances, the completeness and accuracy of the opening balances for financial year and the comparative figures reflected under year 2021/2022 could not be confirmed.

354. Inaccuracies in the Financial Statements

The statement of financial position and statement of changes in net assets accumulated surplus of Nil balance while the statement of financial performance reflects net surplus for the year of Kshs.33,321,523. The resulting variance was not explained. Further, the statement of financial position reflects total net assets and liabilities of Kshs.125,208. However, the recomputed balance was Kshs.1,012,130 resulting in an unexplained variance of Kshs.886,922.

In addition, the statement of cash flows reflects net cash flows from operating activities amount of Kshs.6,493,043 whereas Note 41 to the financial statements reflects a Nil amount resulting in an unexplained variance of Kshs.6,493,043.

Similarly, the statement of comparison of budget and actual amounts does not reflect actual revenue received and expenditures.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

355. Variances Between Financial Statements and Supporting Schedules

The financial statements reflect amounts that differed with the ledger records balances as tabulated below:

Component	Financial Statement Amount (Kshs.)	Supporting Schedules Amount (Kshs.)	Variance (Kshs.)
Transfers from County Government	4,827,827	0	4,827,827
In-Kind Contribution from County Government	26,828,480	0	26,828,480
Employee Costs	1,879,200	1,872,200	7,000
Repairs and Maintenance	750,000	257,488	492,512
General Expenses	400,000	969,587	(569,587)

Component	Financial Statement Amount (Kshs.)	Supporting Schedules Amount (Kshs.)	Variance (Kshs.)
Cash and Cash Equivalent	221,134	0	221,134
Inventories	25,225	0	25,225
Trade and Other Payables	1,012,130	2,501,562	(1,489,432)

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

356. Inaccuracies in Rendering of Services/Medical Income

The statement of financial performance reflects rendering of services/medical income of Kshs.4,649,416 as disclosed in Note 11 to the financial statements. However, the amount excludes National Hospital Insurance Fund (NHIF) claims of Kshs.882,000 for the year under review.

In the circumstances, the accuracy and completeness of rendering of services/medical income of Kshs.4,649,416 could not be confirmed.

Other Matter

357. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects actual revenue receipts of Kshs.4,649,416 against actual expenditure of Kshs.3,029,200 resulting in budget under absorption of Kshs.1,620,216.

In the circumstances, the under-expenditure may have negatively affected the Hospital's programmes and service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

358. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

359. Lack of Risk Management Policy

During the year under review, Management had not developed a risk management policy for the Hospital and no formal risk assessments were done during the financial year audited contrary to Regulation 158(1) the Public Finance Management (County

Governments) Regulations, 2015 which provides that the Accounting Officer shall ensure that the County Government entity develops risk management strategies, which include fraud prevention mechanism, a system of risk management and internal controls that builds robust business operations.

In the circumstances, the existence of effective risk management strategies could not be confirmed.

IGEGANIA HOSPITAL - COUNTY GOVERNMENT OF KIAMBU

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

360. Inaccuracies in the Presentation and Disclosure of the Financial Statements

Review of the financial statements reflects the following errors and inaccuracies;

- i. The statement of financial performance reflects amounts that differed with the statement of cash flows amounts as detailed below;

Component	Statement of Financial Performance Amount (Kshs.)	Statement of Cash Flows Amount (Kshs.)	Variance (Kshs.)
Transfers from the County Government	159,247,292	0	159,247,292
Employee Cost	161,760,840	1,854,962	159,905,878
Board of Management Expenses	28,500	0	28,500
Other Payments	370,000	9,910,027	(9,540,027)

- ii. The statement of cash flows reflects prior year adjustment amount of Kshs.390,570 which was not supported or disclosed in the notes the financial statements.
- iii. The statement of financial performance reflects net surplus for the year amounting to Kshs.9,859,124 while the statement of changes in net assets reflects Nil balance as surplus for the year.
- iv. The statement of financial performance reflects board of management expenses amount of Kshs.28,500 while Note 17 to the financial statements reflects Nil amount.
- v. The statement of financial performance reflects other payments amount of Kshs.370,000 which were not supported by a note to the financial statements.
- vi. ICPAK number for the head of finance was not reflected in the financial statements.
- vii. The table of content did not reflect the statement of financial performance and the report of the Auditor-General.

In the circumstances, the accuracy, completeness, presentation and disclosure of the financial statements did not comply with the the requirements of Public Sector Accounting Standards Board (PSASB) reporting template.

361. Unsupported In-Kind Contributions from the County Government

The statement of financial performance reflects in-kind contributions from the County Government amount of Kshs.159,247,292 in respect of salaries and wages as disclosed in Note 8 to the financial statements. However, the detailed schedules supporting the amount were not provided for audit.

In the circumstances, the accuracy and completeness of in-kind contributions from the County Government amounting to Kshs.159,247,292 could not be confirmed.

362. Unsupported Rendering of Services or Medical Income

The statement of financial performance reflects rendering of services or medical income amount of Kshs.19,777,286 as disclosed in Note 11 to the financial statements. However, supporting schedules were not provided for audit. Further, Management explained that revenue collection system crashed and it was not able to generate supporting schedules.

In the circumstances, the accuracy and completeness of rendering of services or medical income amounting to Kshs.19,777,286 could not be confirmed.

363. Unsupported Employee Costs

The statement of financial performance reflects employee costs amount of Kshs.161,760,840 as disclosed in Note 16 to the financial statements which includes salaries, wages and allowances (paid directly by the County Government) and other employee costs (casuals) amount of Kshs.159,247,292 and Kshs.2,513,548, respectively. However, the supporting schedules and monthly payrolls were not provided for audit.

In the circumstances, the accuracy and completeness of employee costs amounting to Kshs.161,760,840 could not be confirmed.

364. Unsupported Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs.9,910,027 as disclosed in Note 28 to the financial statements. However, detailed supporting schedules indicating the particulars of the vendors, service or goods provided and amounts owed were not provided for audit.

In the circumstances, the accuracy and completeness of receivables from exchange transactions balance of Kshs.9,910,027 could not be confirmed.

365. Unsupported Inventories

The statement of financial position reflects inventories balance of Kshs.3,229,971 as disclosed in Note 30 to the financial statements. However, the balance was not supported by end of year stock sheets and board of survey reports.

In the circumstances, accuracy, completeness and valuation of inventories balance of Kshs.3,229,971 could not be confirmed.

366. Unsupported Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.5,018,936 as disclosed in Note 34 to the financial statements. However, the supporting schedules and relevant accounting documentation were not provided for audit.

In the circumstances, the accuracy and completeness of trade and other payables balance of Kshs.5,018,936 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

367. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

368. Inadequate National Hospital Insurance Fund (NHIF) Capitation and Under-funding of the Hospital

The statement of financial performance reflects rendering of services or medical income amount of Kshs.19,777,286 which includes an amount of Kshs.1,957,238 in respect of NHIF capitation or income. However, the amount was below the 80% threshold stipulated in the County Facility Improvement Fund Regulations.

In addition, the income includes medical services fees amount of Kshs.10,268,713 transferred to the County Health Fund which was reimbursed back to the Hospital by the County and which included Kshs.7,500,000 in respect of the year 2020/2021, resulting in under-reimbursement of Kshs.7,500,000.

In the circumstances, it was not possible to ascertain if the Hospital received all the required funding and if the revenue generated was utilized for the intended purposes.

369. Inadequate Facilities for Universal Health Coverage (UHC) Services

Verification of the Hospital's facilities revealed that it had difficulties in achieving the Universal Health Coverage goals due to the following reasons;

- (i) Irregular water supply in the facility due to break down of borehole system, water supply disconnection and low water pressure.
- (ii) Lack of proper trauma care and low utilization of in-patient services caused by lack of a functional X-ray machine.

- (iii) Lack of plaster technicians and occupational therapist and lack of fully equipped laboratory
- (iv) The Hospital had only one (1) ambulance which operated for less than eight (8) months in the year 2021/2022 due to mechanical failure and the facility's vehicle had been grounded for the whole year.
- (v) Lack of a proper waste management system. The Hospital lacked an incinerator thus waste is kept aside for transportation to an offsite incineration and this poses a hazard threat to patients, staff and neighboring community.
- (vi) The sewerage system was not able to sustain the increased number of infrastructure.
- (vii) Inconsistent power supply occasioned by power outages forcing the Hospital to rely on the generator, thus pushing the meagre resources to the purchase of fuel.
- (viii) Collection of revenue had not reached the full potential due lack of Electronic Medical Records (EMR) across all the departments in the facility.

In the circumstances, it was not possible to confirm if the Hospital operated optimally and provided all the health care needs to the members of the public.

370. Failure to Develop Risk Management Strategy

During the year under review, Management had not developed risk management strategies. This was contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires that the Accounting Officer shall ensure that the County Government entity develops risk management strategies, which include fraud prevention mechanism and a system of risk management and internal control that builds robust business operations.

In the circumstances, risk management strategies, which include fraud prevention mechanism and system of risk management and internal control that builds robust business operations could not be confirmed.

RUIRU HOSPITAL - COUNTY GOVERNMENT OF KIAMBU

REPORT ON THE FINANCIAL STATEMENTS

Basis for Adverse Opinion

371. Inaccuracies in the Financial Statements

Review of the financial statements provided for audit revealed the following errors and inaccuracies: -

- i. The statement of financial performance reflects amounts that differs with the statement of cash flows amounts as detailed below;

Component	Statement of Financial Performance Amount (Kshs.)	Statement of Cash Flows Amount (Kshs.)	Variance (Kshs.)
Rendering of Medical Services	1,848,095	21,689,558	(19,841,463)
Medical/Clinical Costs	11,367,824	8,349,611	3,018,213
Employee Costs	7,983,800	7,441,900	541,900
General Expenses	8,125,766	3,488,823	4,636,943

- ii. The report of the Medical Superintendent reflects actual revenue and expenditure amounting to Kshs.53,824,545 and Kshs.31,658,726 respectively. However, the statement of financial performance reflects amounts of Kshs.25,920,263 and Kshs.28,201,842, resulting in unexplained variance of Kshs.27,904,282 and Kshs.3,456,884 respectively.
- iii. The statement of financial position reflects capital fund balance of Kshs.3,456,884. However, the statement of changes in net assets reflects Nil balance. The omission has not been explained.
- iv. Note 17 to the financial statements reflects property, plant and equipment net book value of Kshs.3,456,884 which differs with the recomputed balance of Kshs.4,300,384 resulting in unreconciled variance of Kshs.843,500.
- v. The statement of cash flows reflects purchase of property, plant and equipment of Kshs.1,567,500 which differs with additions during the year totalling Kshs.2,084,584. Resulting in an unexplained variance of Kshs.517,084.
- vi. The statement of financial position reflects receivables from exchange transactions balance of Kshs.31,980,737 and trade and other payables of Kshs.34,732,895. However, note to the financial statements reflects that the receivables decreased

by an amount of Kshs.2,686,576 and the payables increased by an amount of Kshs.10,109,811. The resulting differences of Kshs.34,667,313 and Kshs.24,623,084 respectively were not explained.

- vii. The statement of Management responsibility is not signed.
- viii. The financial statements approval date is not indicated and have not been signed by the chair Board of Management.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed and Management did not comply with the public sector financial reporting template requirements.

372. Variance between Financial Statements and Supporting Schedules

Comparison of the financial statements with the supporting schedules provided for audit revealed unexplained variances as detailed below: -

Item	Financial Statement Balance (Kshs.)	Supporting Schedules Balance (Kshs.)	Variance (Kshs.)
Transfers from the County Government	21,843,808	0	21,843,808
Public Contributions and Donations	600,000	0	600,000
Rendering of Services - Medical Service Income	1,848,095	0	1,848,095
Other Income	1,628,360	0	1,628,360
Medical/Clinical costs	11,367,824	0	11,367,824
Employee costs	7,983,800	5,887,600	2,096,200
Repairs and maintenance	659,452	212,500	446,952
General Expenses	8,125,766	4,191,302	3,934,464

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

373. Unsupported Employee Costs

The statement of financial performance reflects employee costs of Kshs.7,983,800 as disclosed in Note 11 to the financial statements. Included in the balance are contributions to pensions totalling to Kshs.186,400 and staff medical expenses and insurance cover amount of Kshs.259,400 that were not supported by pension contribution computation schedule and insurance policy documents for the employees.

In the circumstances, the accuracy and completeness of employee costs amounting to Kshs.7,983,800 could not be confirmed.

374. Unsupported Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs.31,980,737 as disclosed in Note 16 to the financial statements. However, detailed supporting schedule and ledgers indicating the particulars of the vendors, service or goods provided and amounts owed was not provided for audit.

In the circumstances, the accuracy and completeness of receivables from exchange transactions balance of Kshs.31,980,737 could not be confirmed.

375. Unsupported Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.3,456,884 as disclosed in Note 17 to the financial statements. However, detailed schedule indicating asset description, location, cost and ownership status was not provided for audit.

In the circumstances, the accuracy, completeness, ownership and valuation of property, plant and equipment balance of Kshs.3,456,884 could not be confirmed.

376. Unsupported Trade and Other Payables

The statement of financial position reflects trade payables balance of Kshs.34,732,895 as disclosed in Note 18 to the financial statements. However, the detailed schedule and ledgers indicating creditors' particulars, goods or services rendered and amounts payable to each creditor were not provided for audit. Management explained that the payment vouchers together with supporting documentation were forwarded to County Government for settlement. However, the schedule indicating current payment status was also not provided for audit.

In the circumstance, the accuracy and completeness of trade and other payable balance of Kshs.34,732,895 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

377. Disbursement of National Hospital Insurance Fund (NHIF) Capitation and Revenue from Rendering of Services

The statement of financial performance reflects rendering of service income of Kshs.1,848,095 as disclosed in Note 8 to the financial statements. Review of records revealed that Kshs.1,346,305 relates to NHIF capitation to the Hospital. However, although the NHIF capitation was deposited in the County Revenue Fund, the total disbursements to the Hospital did not meet the threshold of eighty percent (80%) of the total capitation to the Hospital. This was contrary to Schedule 1.3.2 & 3 which states that,

the NHIF Board undertakes to pay to the Health Care Provider for the beneficiary of Managed Scheme without limit a capitation amount of Kshs.2,850 per beneficiary per annum within the first thirty (30) days of the capitated period. In addition, the total revenue of Kshs.25,920,263 was transferred to the County Health Fund without any reimbursements.

In the circumstances, it was not possible to confirm whether the NHIF capitation and revenue collected from rendering of services was utilized for the intended purposes.

378. Ineffective Board of Management

The statement of financial performance reflects board expenses amounts of Kshs.65,000 as disclosed in Note 12 to the financial statements. However, Management did not provide documents and information confirming Board meetings held in the year. This is contrary to Section E of Mwongozo which requires Board meetings to be held at least four (4) times a year and not more than four (4) months shall elapse between the date of one meeting and the date of the next meeting.

In the circumstances, Management was in breach of Mwongozo policy guidelines.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

379. Shortcomings in the Implementation of Universal Health Coverage (UHC) Program

Inspection of the Hospital facilities indicate that the Hospital had not achieved the Country's universal health coverage goals as outlined in the Article 43(1) of the Constitution of Kenya, 2010 as indicated below: -

- i) The Hospital had constant breakdown of anesthetic machine and theatre lamp which may have resulted to loss of life.
- ii) There were delays in supply of essential, drugs and surgical items from KEMSA and other medical suppliers.
- iii) There were delays in disbursements of the refund to the Hospital from the County Government health fund, where the Hospital was expected to receive 80% of the total revenue collected.
- iv) The Hospital had low staffing due to natural attritions and non-replacement resulting in low staff to patient ratio. Further, the Hospital used casual staff in revenue collection which could result to possible revenue loss due to lack of accountability.

- v) The financial statements indicated that the Hospital had huge pending bills amounting to Kshs.34,000,000 majority of which relates to the previous years.
- vi) The Hospital did not have a proper health management system to monitor services offered by various departments.
- vii) There was inadequate IT hardware and poor internet connectivity.

In the circumstances, the Hospital did not operate at its optimal capacity and did not attain the vision of Article 43(1) of the Constitution of Kenya, 2010 which includes the right to health care services, including reproductive health care.

380. Failure to Develop Risk Management Strategy

The Hospital Management had not developed risk management strategies. This is contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires that the accounting officer shall ensure that the county government entity develops risk management strategies, which include fraud prevention mechanism and a system of risk management and internal control that builds robust business operations.”

In the circumstances, the effectiveness of the Hospital’s risk management measures could not be confirmed.

ITEN COUNTY REFERRAL HOSPITAL - COUNTY GOVERNMENT OF ELGEYO/MARAKWET

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

381. Long Outstanding Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs.7,900,100 as disclosed in Note 18 to the financial statements. Review of documents revealed that the balance has been outstanding for over one (1) year. However, there was no evidence to indicate that proper mechanisms had been put in place to recover these long overdue debts.

In the circumstances, the accuracy and recoverability of receivables from exchange transactions of Kshs.7,900,100 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

382. Deficiencies in Implementation of Universal Health Coverage (UHC)

Review of Hospital records and interviews revealed only one hundred and twenty-one (121) staff against the required three hundred and twenty-three (323) staff in seven (7) positions, resulting in an unexplained variance of two hundred and two (202) staff. In addition, the Hospital had only three (3) functional intensive care unit beds and two (2) high-dependency unit beds instead of twelve (12) beds for each. In addition, there were only five (5) theatres instead of seven (7) while beds were only three hundred (300) instead of five hundred (500). Further, the maternity ward has only one (1) delivery coach instead of six (6), newborn incubators was one (1) instead of ten (10) and there were no newborn HDU cots instead of the required six (6). These deficiencies contravene the First Schedule of the 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, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

383. Lack of the Internal Audit

The Hospital did not have an internal audit. This was contrary to Section 155(5) of the Public Finance Management Act, 2012 which stipulates that a county government entity shall maintain internal auditing arrangements, and shall ensure that it complies with this Act and has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board was not followed.

In the circumstances, the effectiveness of internal controls could not be confirmed as there was no evidence of risk assessment.

LONDIANI SUB-COUNTY HOSPITAL - COUNTY GOVERNMENT OF KERICHO

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

384. Misstatement of Revenue and Expenses

The statement of financial performance and statement of cash flows reflect total revenue and total expenses amounts of Kshs.49,259,711 and Kshs.44,207,775, respectively, a confirmation that the statements were prepared on cash basis. Further, the statement of financial position reflects receivables from exchange transactions and trade and other payables balance of Kshs.1,243,396 and Kshs.807,368, respectively under accrual basis of accounting resulting in an unexplained misstatement of Kshs.1,243,396 and Kshs.807,368, respectively on the revenue and expenses.

In the circumstances, the accuracy and completeness of the statement of financial performance could not be confirmed.

385. Unsupported Rendering of Services or Medical Service Income

The statement of financial performance reflects rendering of services-medical service income amount of Kshs.47,324,217. However, the revenue reports from the Enterprise Resource Planning, Hospital System software reflects total revenue of Kshs.15,622,805 while the National Health Insurance Fund (NHIF) claim reimbursement schedule provided for audit reflects revenue amount of Kshs.23,126,140, totalling to Kshs.38,748,945. The resultant variance of Kshs.8,575,272 represents revenue whose supporting schedules were not provided for audit.

In the circumstances, the accuracy and completeness of the rendering of services-medical service income balance of Kshs.47,324,217 could not be confirmed.

386. Unsupported Medical or Clinical Costs

The statement of financial performance reflects medical or clinical costs amount of Kshs.29,894,042 as disclosed in Note 9 to the financial statements which comprises of nine (9) subcomponents whose supporting ledgers and schedules were not provided for audit.

In the circumstances, the accuracy and completeness of the medical or clinical costs balance of Kshs.29,894,042 could not be confirmed.

387. Misstatement of General Expenses

The statement of financial performance reflects general expenses amount of Kshs.12,564,523 as disclosed in Note 11 to the financial statements, includes an expenditure on computers, backups and printers of Kshs.2,404,500 which was capital expenditure on property, plant and equipment.

Further, the expenditure of Kshs.12,744,091 includes an amount of Kshs.1,810,450 incurred in the previous financial year, but paid during the year under review. The inclusion of the previous year's expenditure is contrary to International Public Sector Accounting Standards (Accrual Basis) that was adopted by the Hospital which requires transactions and other events to be recognized when they occur (and not when cash or its equivalent is received or paid).

In the circumstances, the accuracy and completeness of the general expenses amounting to Kshs.12,564,523 could not be confirmed.

388. Inaccuracies in the Statement of Financial Position

The statement of financial position reflects nil balance in respect of total assets. The following inaccuracies and anomalies were noted;

- i. The Nil balance of total assets differs with the re-computed balance of Kshs.8,331,395, resulting in an unexplained and unreconciled variance of Kshs.8,331,395.
- ii. The statement of financial position reflects Nil accumulated surplus/(deficit) balance/while the statement of financial performance reflects a surplus balance of Kshs.5,051,936, resulting in unreconciled variance of Kshs.5,051,936.
- iii. The statement of financial position reflects total net assets and liabilities balance of Kshs.7,524,027 against re-computed total net assets and liabilities reflects a balance of Kshs.2,472,091 resulting in unreconciled variance of Kshs.5,051,936.
- iv. The statement of changes in net assets reflects surplus for the year balance of Kshs.7,524,027, while the statement of financial performance reflects not surplus for the year of Kshs.5,051,936, resulting in unreconciled variance of 2,472,091.
- v. The statement of financial position reflects Nil balance in respect of property, plant and equipment while asset register presented for audit, showed that the Hospital owned assets such as land, buildings, motor vehicles, hospital equipment, computers and furniture and fittings, which had no values.
- vi. The statement of financial position reflects nil balance in respect of inventories. However, no stocktake report was provided for audit to support the nil balance. Further, audit examination of stock control cards revealed closing balances of pharmaceutical and non-pharmaceutical stocks as at 30 June, 2022. No explanation was provided as to why these stock card balances were not accounted for in the financial statements.
- vii. The statement of financial position reflects cash and cash equivalents, receivables from exchange transactions and trade and other payables balances of Kshs.7,087,999, Kshs.1,243,396 and Kshs.807,368 respectively, which were not reflected in the trial balance.

In the circumstances, accuracy and completeness of the financial statements could not be confirmed.

389. Inaccuracies in the Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.7,087,999 as disclosed in Note 12 to the financial statements which includes a bank account balance of Kshs.6,224,859. However, the supporting cash book reflects cash balance of Kshs.47,655 which was not accounted for in the financial statements.

In the circumstances, the existence and completeness of the cash and cash equivalents balance of Kshs.47,655 could not be confirmed.

390. Unsupported Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs.1,243,396 whose supporting debtors' list and ageing analysis were not provided for audit.

In the circumstances, the accuracy and completeness of the receivables from exchange transactions balance of Kshs.1,243,396 could not be confirmed.

391. Inaccuracies in the Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects final expenses budget amount of Kshs.48,240,000, while the approved budget reflects an amount of Kshs.46,510,000 resulting in an unreconciled variance of Kshs.1,730,000. Further, the statement reflects an unapproved and unsupported revenue budget amount of Kshs.49,103,139. In addition, the statement reflects percentage (%) of utilization of 100% against rendering of services-medical service income which differs with the re-computed percentage of 102%, resulting in an unexplained variance of 2%.

In the circumstances, the accuracy and completeness of the statement of comparison of budget and actual amounts could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

392. Non-Implementation of National Government Constituencies Development Fund Project

Review of the Hospital's Management Team minutes and bank statement for development bank account revealed that the Hospital received an amount of Kshs.800,000 from the National Government Constituencies Development Fund-(NG-CDF) during the financial year 2014/2015. This was for the construction of an ablution block for gents and ladies with three compartments each, with handwashing facilities and a raised tank above. However, this project had not been implemented as at 27 June, 2023, and no satisfactory explanation was provided for the anomaly. Further, minutes of the Project Management Committee and reports on the project were not been provided

for audit. In addition, the three (3) signatories to the account were no longer in the Management of the Hospital.

In the circumstances, value for money may not have been realized from the amount of Kshs.800,000 received from the NG-CDF.

393. Irregularities in the General Expenses

The statement of financial performance reflects general expenses amount of Kshs.12,564,563 as disclosed in Note 11 to the financial statements which includes travel and accommodation allowances amounting to Kshs.670,150 out of which an amount of Kshs.221,400 relates to claims dating back to the years 2019 and 2020. However, approval of payment of the latter amount and documents indicating that the allowances had not been claimed before were not provided for audit. Further, the recipients of the allowances had not signed against their names.

In addition, the amount of Kshs.12,564,523 includes an amount Kshs.2,548,500 spent on computers and firewood that were procured from two (2) suppliers who were not in the Hospital's list of prequalified suppliers. This was contrary to Section 95(3) of the Public Procurement and Asset Disposal Act, 2015 which states that 'a procuring entity shall invite tenders from only the approved persons who have been pre-qualified'.

In the circumstances, value for money for the expenditure of Kshs.2,769,900 could not be confirmed and Management was in breach of the law.

394. Presentation and Disclosure in the Financial Statements

Examination of the financial statements and comparison with the financial reporting templates by the Public Sector Accounting Standards Board (PSASB) revealed anomalies included in the financial statements for the year ended 30 June, 2022 contrary to Section 164(3) of the Public Finance Management Act, 2012.

In the circumstances, the financial statements do not conform with the presentation format presented by Public Sector Accounting Standards Board (PSASB).

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

395. Lack of Board of Management

During the year under review, the Hospital operated without a functional Board of Management. Therefore, functions such as approving plans, programs, estimates and any other functions assigned by the County Government were either not undertaken or were done by the Management Team.

In the circumstances, the effectiveness of internal controls, risk management and governance in the Hospital during the year under review could not be confirmed.

RORET SUB-COUNTY HOSPITAL - COUNTY GOVERNMENT OF KERICHO

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

396. Inaccuracies in Presentation of Financial Statements

The statement of financial performance reflects revenue from rendering of services of Kshs.13,394,875 while the statement of cash flows discloses an amount of Kshs.7,388,944, resulting in an unexplained variance of Kshs.6,005,931. Further, the statement of cash flows reflects an amount of Kshs.7,413,753 as the total amount of cash flows from operating activities instead of Kshs.7,388,944 resulting in an unexplained variance of Kshs.24,809.

In addition, the statement of cash flows reflects (Kshs.4,456,988) as the total net increase/decrease in cash and cash equivalents instead of (Kshs.5,056, 988) resulting in an unexplained variance of Kshs.255,000.

Further, the statement of cash flows was not referenced to the notes to the financial statements and the expenditure variances above 10% were not explained in the statement of comparison of budget and actual amounts.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

397. Unexplained Variance in National Health Insurance Fund Revenue

Note 6 to the financial statements reflects revenue from rendering of services of Kshs.13,394,875, which includes National Health Insurance Fund (NHIF) income of Kshs.10,081,560. However, the NHIF income differs with the NHIF paid claims amounting to Kshs.4,087,100 resulting in an unexplained variance of Kshs.5,994,460.

In the circumstances, the accuracy and completeness of National Health Insurance Fund income amount of Kshs.10,081,560 could not be confirmed.

398. Delayed Receipts of National Health Insurance Fund Claims

Note 12 to the financial statements reflects receivables from exchange transactions of Kshs.3,745,880 which relates to dues from National Health Insurance Fund (NHIF). The contract between the Hospital and NHIF indicates that the period for settlement of genuine claims is within 30 days of submission. However, the supporting schedules for claims provided for audit verification do not indicate how long the claims had been outstanding.

In the circumstances, the accuracy and completeness of receivables from the exchange transactions balance of Kshs.3,745,880 could not be confirmed.

399. Unsupported Revenue from Rendering Services

The statement financial performance reflects rendering of services – medical income amount of Kshs.13,394,375 as disclosed in Note 6 to the financial statements. However, the incomes were presented as block amounts rather than in the respective streams as per the approved hospital service charter. In addition, revenue budget and schedules indicating the breakdown of the revenues were not provided for audit verification.

In the circumstances, the accuracy and completeness of revenue from exchange transactions amount of Kshs.13,394,375 could not be confirmed.

400. Non-disclosure of Employee Costs

The statement of financial performance and as disclosed under Note 8 to the financial statements, reflects employee costs of Kshs.2,236,719, which relates to salaries, wages and allowances for six (6) Facility Improvement Fund (FIF) contracted staff. However, the payroll for the contracted staff was not provided for audit verification. In addition, the Hospital has twenty-seven (27) health service staff, four (4) universal health coverage staff and nineteen (19) county contracted staff whose expenditure was not included in the financial statements.

In the circumstances, the accuracy and completeness of employee costs of Kshs.2,236,719 could not be confirmed.

401. Undisclosed Property, Plant and Equipment

The statement of financial position and as disclosed in Note 14 to the financial statements, reflects property, plant and equipment balance of Kshs.255,000 relating to additional acquisition of ICT equipment. Review of records revealed that the Hospital had various assets which include land, buildings, furniture, computers and equipment. However, the assets were not disclosed in the financial statements. Further, ownership documents for the land and equipment were not provided for audit review. As a result, plant, property and equipment are misstated.

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

402. Unsupported Opening Cash balances

The statement of cash flows reflects cash and cash equivalents balance of Kshs.4,879,222 as at July, 2021. However, the amount was not supported by a bank reconciliation statement, bank confirmation certificate and board of survey report.

In the circumstances, the accuracy and completeness of the opening balance of Kshs.4,879,222 could not be confirmed.

403. Unsupported Inventories

The statement of financial position and as disclosed under Note 13 to the financial statements, reflects inventories balance of Kshs.2,875,000. However, the balance was

not supported by stock sheets and schedules. Further, the stock valuation report was not provided for audit verification.

In the circumstances, the accuracy and completeness of inventories balance of Kshs.2,875,000 could not be confirmed.

Other Matter

404. Budgetary Control and Performance

The summary statement of comparison of the budget and actual amounts reflects the final revenue budget of Kshs.13,394,875 against actual on a comparable basis of Kshs.12,224,577 resulting in an under-funding of Kshs.1,170,298. Further, the statement indicates that Kshs.12,224,577 was raised as revenue but the actual expenditure incurred was Kshs.11,940,933. In addition, the budget provided did not include a breakdown of revenue streams.

In the circumstances, the under-funding and under-expenditure is likely to affect service delivery.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

405. Lack of Hospital Management Board

During the year under review, the Hospital Management Committee to oversee administration, promote the development, approve plans, programs, and estimates of the Hospital had not been constituted. This was contrary to Section 9(1) of the Kericho County Health Services Act, 2021 which states that the County Executive Committee Member for Health shall appoint the Hospital Committee consisting of nine (9) members.

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

406. Delay in Disbursements of Funds

Analysis of the cashbook and bank statements revealed that the Hospital generated its own revenue amounting to Kshs.13,394,875 but only Kshs.5,389,972 or 40% was returned to the Hospital as part of the Authority to Incur Expenditure, implying that a balance of Kshs.8,004,903 or 60% was held back in the County Revenue Fund (CRF) account. In addition, the Hospital started to make payments during the month of April, 2022 for a period of only three months before the close of the financial year. Management did not explain the delayed funding or failure to disburse the entire Kshs.13,394,875. This was contrary Regulation 83(2b) of Public Finance and Management (County Governments) Regulations, 2015 which states that sound cash management includes ensuring payments, including transfers to other levels of government and county government entities are made when due for efficient, effective

and economical programme delivery and the county government's normal terms for the account.

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

407. Inadequacies in Implementation of Universal Health Coverage (UHC)

Review of Hospital records and interviews revealed that the Hospital has eighteen (18) staff against the required seventy-five (75) staff in seven (7) positions, resulting in a staff deficit of fifty-seven (57) staff. In addition, the Hospital lacked advanced life support, six (6) functional intensive care unit beds, six (6) high dependency unit beds and at least five (5) dialysis machines required for a Level 4 hospital. Further, the Hospital had nil new born unit incubators cots instead of the required five (5) cots while only three (3) new born unit cots were at the Hospital instead of five (5). This was contrary to the First Schedule of Health Act, 2017 and accessing 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, Management was in breach of the law.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

408. Lack of a Risk Management Policy

During the year under review there was no Risk Management Policy. This was contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires each county government entity to develop risk management strategies and a system of risk management to enable the county to identify and develop appropriate risk strategies in order to improve on effective and efficient management of public resources.

In the circumstances, the effectiveness of risk management of the Hospital's operations could not be confirmed.

409. IT Internal Control Weakness

It was observed that the Hospital does not have an ICT strategic committee, ICT strategic plan, or an ICT policy. In addition, the Hospital does not have a disaster recovery and business continuity plan and an offsite backup plan in case of any emergencies/disasters.

In the circumstances, the effectiveness of internal controls on data recovery and business continuity could not be confirmed.

SIGOWET SUB-COUNTY HOSPITAL - COUNTY GOVERNMENT OF KERICHO

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

410. Inaccuracies in the Financial Statements

The annual report and financial statements prepared and presented for audit had the followings errors;

- i. The financial performance report under Management Discussion and Analysis section reflects revenue generated during the year to fund hospital expenditure amounting to Kshs.40,711,317 while the statement of financial performance reflects total expenditure of Kshs.227,060,226. The resultant variance of Kshs.186,348,909 was not explained.
- ii. The statement of cash flows reflects negative refund on deposits balance of Kshs.612,871 in respect of patient admission deposits. However, the amount was not reflected as an inflow and was not disclosed as a current liability in the statement of financial position.
- iii. The statement of financial position reflects receivables from exchange transactions and inventories balance of Kshs.290,200 and Kshs.48,525, respectively as disclosed in Note 13 and 14 to the financial statements. However, the working capital adjustments was taken into account in the statement of cash flows as part of the investing activities.
- iv. The statement of cash flows reflects a balance of Kshs.32,472 as cash and cash equivalents as at 1 July, 2021. However, the balance was not supported by either a certificate of bank balance, bank reconciliation statement or a cash survey report.
- v. Cash generated from operations as disclosed in Note 19 to the financial statements did not reflect working capital adjustments in respect of receivables from exchange transactions and inventories balance of Kshs.290,200 and Kshs.48,525 respectively.
- vi. Management did not provide for audit review a trial balance that supports the reported amounts and balances in the financial statements.

In the circumstances, the financial statements did not comply with the Public Sector Accounting Standards Board templates.

411. Unsupported In-Kind Contribution from County Government

The statement of financial performance reflects in-kind contribution from County Government amount of Kshs.198,362,412 as disclosed in Note 5 to the financial statements. Included in the amount is Kshs.189,616,211 paid by the County Government in respect of salaries and wages on behalf of the hospital.

However, the balance was supported by a payroll for one (1) month amounting to Kshs.15,801,35 multiplied by twelve (12) months to get a total of Kshs.189,616,211 instead of individual payroll per month. In addition, the payroll only disclosed gross pay omitting basic salary, allowances and deductions. Further, the payroll did not capture data for forty-one (41) staff who were included in the Hospital staff list provided for audit review.

In the circumstances, the accuracy and completeness of in-kind contribution from the County Government amounting to Kshs.198,362,412 could not be confirmed.

412. Unsupported Revenue from Rendering Services

The statement of financial performance reflects rendering of services - medical income amounting to Kshs.32,567,079 as disclosed in Note 6 to the financial statements. However, the amount was not supported by detailed schedules indicating the collections from all the revenue streams.

In the circumstances, the accuracy and completeness of revenue from rendering services amounting to Kshs.32,567,079 could not be confirmed.

413. Unexplained Variance in National Hospital Insurance Fund (NHIF) Services Income

The statement of financial performance reflects rendering of medical services income amount of Kshs.32,567,079 which includes NHIF services amount of Kshs.21,223,971 as disclosed in Note 6 to the financial statements. However, review of records revealed that the Hospital was paid claims amounting to Kshs.19,141,883 by NHIF resulting in an unexplained variance of Kshs.2,082,088.

In the circumstances, the accuracy and completeness of revenue from NHIF services amounting to Kshs.21,223,971 could not be confirmed.

414. Inaccuracies in the Property, Plant and Equipment

The statement of financial position reflects a balance of Kshs.1,991,302 in respect of property, plant and equipment as disclosed in Note 15 to the financial statements. However, the balance represents additions during the year excluding the historical costs of existing assets. In addition, an asset register and purchase documents for the plant and equipment were not provided for audit review. Further, Note 4(e) to the summary of significant accounting policies states that, "all property, plant and equipment are stated at

cost less accumulated depreciation and impairment losses". However, the adopted depreciation rate for the various classes were not disclosed. In addition, during the year no depreciation was charged and the net book values were the same as the cost of the assets.

In the circumstances, the valuation, accuracy, ownership and existence of property, plant and equipment balance of Kshs.1,991,302 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

415. Lack of Hospital Management Board

During the year under review, the Hospital Management Committee to oversee administration, promote the development, approve plans, programs, and estimates of the Hospital had not been constituted. This is contrary to Section 9(1) of the Kericho County Health Services Act, 2021 which states that the County Executive Committee Member for Health shall appoint the Hospital Committee consisting of nine (9) members.

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

416. Delayed Disbursements of Funds

Analysis of the cashbook and bank statements revealed that the hospital remitted own generated revenue to County Revenue Fund account for the twelve (12) months of July, 2021 to June, 2022 amounting to Kshs.25,738,417. However, an amount of Kshs.15,770,872 was given back to the Hospital as part of the Authority to Incur Expenditure. In addition, the Hospital was granted autonomy to make payments from the month of April, 2022, only two (2) months to the closure of the financial year. This was contrary to Regulation 83(2)(b) of the Public Finance Management (County Governments) Regulations, 2015 which stipulates that sound cash management includes ensuring payments, including transfers to other levels of Government and County Government entities are made when due for efficient, effective and economical programme delivery and the County Government's normal terms for the account.

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

417. Delayed Transfer of Revenue to the County Revenue Fund

The statement of financial performance reflects rendering of services - medical service income amount of Kshs.32,567,079 as disclosed in Note 6 to the financial statements. However, review of records revealed that revenues were being transferred monthly to County Revenue Fund account instead of as soon as it is collected. This is contrary to Regulation 81(2) of Public Finance and Management (County Governments) Regulations, 2015 which requires the receivers of revenue to promptly pay the revenue received into the County Revenue Fund, as soon as possible and in any case not later

than five (5) working days after receipt thereof. Further, there was no evidence to show the Hospital prepares quarterly reports not later than the 15th day after the end of the quarter.

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

418. Deficiencies in the Implementation of Universal Health Coverage (UHC)

Review of records and interviews revealed the following deficiencies in the implementation of the Universal Health Coverage program;

- i. The Hospital had forty-three (43) staff against the required seventy-five (75) staff in seven (7) positions, resulting in unexplained variance of thirty-two (32) staff.
- ii. The Hospital lacked advanced life support, six (6) functional intensive care unit beds, six (6) high dependency unit beds and at least five (5) dialysis machines required for a Level 4 hospital.
- iii. The Hospital had four (4) new born unit incubators cots instead of required five (5) cots while four (4) new born unit cots were at the Hospital instead of five (5).

This was contrary to the First Schedule of Health Act, 2017 and accessing 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, Management was in breach of the law.

419. Anomalies in the Implementation of the Hospital Management Information System

The statement of financial position reflects intangible asset - software balance of Kshs.1,276,000 as disclosed in Note 8 to the financial statements. Review of records revealed that the amount was in respect of supply, delivery, installation, testing, training, and commissioning of the Hospital Management Information System. However, an appointment letter for the chairperson of the tender opening committee was not provided for audit verification against Section 78(1) of the Public Procurement and Asset Disposal Act, 2015 which states that an Accounting Officer of a procuring entity shall appoint a tender opening committee specifically for the procurement in accordance with the requirements and such other requirements as may be prescribed. In addition, there was no evidence provided to confirm if the vendor trained the users on the system. Further, the system has all the required modules integrated into all the services offered in the hospital, it is faced with internet connectivity challenges.

In the circumstances, Management was in breach of the law and value for money on expenditure of Kshs.1,276,000 utilized on the supply, delivery, installation, testing,

training, and commissioning of the Hospital Management Information System could not be confirmed.

420. Non-Provision of Procurement Documents

The statement of financial performance reflects general expenses amount of Kshs.13,230,041 which includes contracted services and refined fuel amount of Kshs.3,177,076 and Kshs.2,470,000, respectively as disclosed in Notes 10 to the financial statements. However, procurement records including tender advertisement, tender opening minutes, tender evaluation minutes, notification of award, letter of acceptance, and professional opinion were not provided for audit verification contrary to Section 68(6) of the Public Procurement and Assets Disposal Act, 2015 which states that an Accounting Officer of a procuring entity shall maintain a proper filing system with clear links between procurement and expenditure files that facilitates an audit trail.

In the circumstances, value for money on contracted services and refined fuel amounting to Kshs.3,177,076 and Kshs.2,470,000, respectively could not be confirmed. Further, Management was in breach of the law.

421. Expired Drugs and Poor Inventory Management

The statement of financial position reflects inventory balance of Kshs.48,525 as disclosed in Note 14 to the financial statements. However, examination of sampled stores records maintained revealed expired drugs of undetermined value. This was contrary to Section 140(1) of the Public Finance Management Act, 2012 which requires an Accounting Officer to be responsible for the proper custody, care and use of government inventories under their control.

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

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

422. Lack of Risk Management Policy

During the year under review, Management had not established a risk management policy contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires each County Government entity to develop risk management strategies and a system of risk management to enable the County to identify and develop appropriate risk strategies in order to improve on effective and efficient management of public resources.

In the circumstances, the effectiveness of risk management could not be confirmed.

423. Weaknesses in Information and Communication Technology (ICT) Internal Control

The Hospital does not have an ICT strategic committee, ICT strategic plan, or an ICT policy. Further, the Hospital does not have a disaster recovery, business continuity plan and an offsite backup plan in case of any emergencies or disasters. In case of an occurrence of any disaster, all the information will be lost and it will not be possible to recover it. This can cause the Hospital to incur heavy losses.

In the circumstances, the effectiveness of the internal controls and risk management could not be confirmed.

KAPKATET SUB-COUNTY HOSPITAL - COUNTY GOVERNMENT OF KERICHO

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

424. Inaccuracies of Inventory Balance

The statement of financial position reflects inventory balance of Kshs.66,969,714. However, the respective Note 13 to the financial statements reflects a balance of Ksh.99,415,135 resulting in an unexplained variance of Kshs.32,445,421.

In the circumstances, the accuracy and completeness of the inventory balance of Kshs.66,969,714 could not be confirmed.

425. Unsupported County Government In-Kind Contribution

The statement of financial performance reflects County Government in-kind contribution amounts of kshs.4,613,280 as reflected in Note 19 to the financial statements. However, the supporting schedule was not provided for audit.

In the circumstances, the accuracy and completeness of County Government in-kind contribution amounts of kshs.4,613,280 could not be confirmed.

426. Inaccuracies in the Statement of Financial Performance

The statement of financial performance reflects rendering of services- medical service income of Kshs.145,141,812 which, as disclosed in Note 6 to the financial statements includes National Health Insurance Fund (NHIF) revenue of Kshs.68,369,018. However, the NHIF data provided for audit reflects Kshs.64,291,271 resulting in an unexplained variance of Kshs.4,077,747.

Further, rendering of services - medical service income includes Kshs.17,499,142 in respect to revenue related to 30 June, 2021 and Kshs.10,409,250 as receivables which were wrongly classified as part of revenue.

In the circumstances, the accuracy and completeness of the rendering of services – medical income of Kshs.145,141,812 could not be confirmed.

427. Non-Disclosure of Employee Costs

The statement of financial performance reflects Nil amount of staff costs. However, the Hospital has one hundred and thirty-four (134) health service staff, thirteen (13) universal health coverage staff, eighty-one (81) county contract staff and forty-eight (48) FIF contract staff. Further, the Management did not provide the payroll for audit.

In the circumstances, the accuracy and completeness of nil employee cost could not be confirmed.

428. Inaccuracies in Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.6,966,606 as disclosed in Note 14 to the financial statements. However, the balance was not supported by payment vouchers and procurement documents. Further, review of records revealed that the Hospital had various assets which include land, buildings, furniture, computers and equipment which were not disclosed in the financial statements. In addition, ownership documents for the land and equipment were not provided for audit.

In the circumstances, the accuracy, ownership and existence of property, plant and equipment balance of Kshs.6,966,606 could not be confirmed.

429. Inaccuracies of the Accounts Receivables

The statement of financial position reflects receivables from exchange transactions balance of Kshs.10,702,600 which, as disclosed in Note 12 in the financial statements relates to outstanding dues from National Health Insurance (NHIF) for more than twelve (12) months. However, the contract between the Hospital and NHIF indicates that the period to pay genuine claims is within 30 days of submission. In addition, the supporting schedules were not provided for audit review. Further, the undisbursed Facility Improvement Fund amount of Kshs.67,108,159 was not included as part of the receivables and there was no provision for doubtful debts despite the Hospital granting waivers to patients who are not able to settle their bills.

In the circumstances, the accuracy and completeness of receivables from exchange transactions balance of Kshs.10,702,600 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

430. Lack of Hospital Management Board

Review of the Hospital records revealed that the County Executive Committee Member for Health had not appointed the Hospital Committee to oversee administration, promote the development, approve plans, programs, and estimates of the hospital. This was contrary to section 9(1) of the Kericho County Health Services Act, 2021.

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

431. Delayed Disbursements of Funds

Analysis of the cashbook and bank statements revealed that the Hospital generated own revenue amounting to Kshs.127,540,064 but only Kshs.60,431,905.00 was issued back as Authority to Incur Expenditure resulting in a difference of Kshs.67,108,159 which was retained in the County Revenue Fund (CRF) account. In addition, the Hospital was

granted autonomy to make payments starting in the month of April, 2022, two months to the closure of the financial year. This was contrary to Regulation 83(2)(b) of the Public Finance Management (County Governments) Regulations, 2015 which stipulates that sound cash management includes ensuring payments, including transfers to other levels of government and county government entities are made when due for efficient, effective and economical programme delivery and the county government's normal terms for the account.

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

432. Irregular Procurement of Pharmaceuticals

The statement of financial performance reflects clinical costs of Kshs.87,212,071 as disclosed under note 7 to the financial statement. However, a sample of vouchers amounting to Kshs.31,985,005 revealed that the Hospital procured goods using procurement methods outside the procurement plan. Further, the Hospital procured goods outside the threshold matrix requirements. This was contrary to Section 45(3)(a) &(b) of the Public Procurement and Asset Disposal Act 2015 which states that all procurement processes shall be within the approved budget of the procuring entity and shall be planned by the procuring entity concerned through an annual procurement plan and undertaken by a procuring entity as per the threshold matrix prescribed.

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

433. Deficiencies in Implementation of Universal Health Coverage (UHC)

Review of Hospital records revealed that the Hospital has one (1) anaesthesiologist and one (1) radiologist against the required two (2) for each position. In addition, the Hospital lacked advanced life support, renal dialysis, six (6) functional intensive care unit beds, six (6) high dependency unit beds and at least five (5) dialysis machines required for a Level 4 hospital. These deficiencies contravene the First Schedule of Health Act, 2017 and imply that accessing 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, Management was in breach of the law.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

434. Lack of a Risk Management Policy

During the year under review, Management did not have in place a risk management policy contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires each county government entity to develop risk management strategies and a system of risk management to enable the

county to identify and develop appropriate risk strategies in order to improve on effective and efficient management of public resources.

In the circumstances, existence of effective risk management measures could not be confirmed.

435. Lack of Information Communication Technology (ICT) Policy Procedures and Controls

Review of the Health's information technology systems revealed the Hospital has installed a structured cable network that provides network connectivity to various offices and student computer laboratory within the institution. The Hospital maintains its entire financial data on Microsoft Excel application on a standalone computer assigned to the finance officer. However, the Hospital did not have an approved IT policy for governance and management of its ICT resources. In addition, there is no ICT steering committee in place to assist in the development of ICT policy framework to enable the Hospital to realize long-term ICT strategic goals. Lack of an approved IT policy may result in an unclear direction regarding maintenance of information security across the organization and safeguarding the Hospital's ICT assets. Further, without a sound and approved framework, users do not have any rules and procedures to follow in order to minimize risk of errors, fraud and the loss of data confidentiality, integrity and availability.

In the circumstances, existence of effective ICT controls could not be confirmed.

KERICHO COUNTY REFERRAL HOSPITAL - COUNTY GOVERNMENT OF KERICHO

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

436. Presentation and Disclosure of Financial Statements

The annual reports and the financial statements presented for audit reflected the followings anomalies: -

- 1.1 The financial statements did not include the chairman's statement which highlights key activities during the year, successes, challenges being faced, and the way forward or future outlook for the hospital.
- 1.2 The financial statements did not include the Chief Executive Officer's report.
- 1.3 Management Discussion and Analysis did not include detailed information on clinical and operational performance.
- 1.4 The financial statements did not include Environmental and Sustainability Reporting which includes the purpose, the driving force behind everything the entity does, what guides them to deliver their strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence.
- 1.5 The report of the health Management/Board of Management was not signed by the secretary to the Board.
- 1.6 The statement of the Board of Management responsibilities that includes approval of the financial statements was not signed by the chairperson to the Board of Management.
- 1.7 The financial statements did not disclose the projects implemented by the entity.
- 1.8 The details of Note 12 and 13 to the financial statements have been interchanged. Receivables from exchange transactions, inventories and property, plant and equipment in the notes to the financial statements were not numbered.
- 1.9 The statement of financial performance reflects a net surplus for the year of Kshs.23,947,476 which varies with surplus for the year of Kshs.113,002,617 as per the statement of changes in net asset resulting in an unexplained difference of Kshs.89,055,141.
- 1.10 The statement of financial position and statement of changes in net assets reflects capital fund of Kshs.35,536,497 while the statement of cash flows reflects Nil amount in respect of capital grants received. The resulting difference has not been explained.

- 1.11 The statement of financial performance and statement of cash flows reflects employment costs of Kshs.11,122,560 which varies with the amount of Kshs.35,809,956 as disclosed in Note 10 to the financial statements. The resultant difference of Kshs.24,687,396 has not been explained.
- 1.12 The statement of cash flows does not reflect working capital adjustments and the reported balances have not been referenced by way of Notes to the financial statements. Cash flow from operations in the un numbered Note to the financial statement reflects deficit for the year of Kshs.462,479 which differs with the surplus for the year of Kshs.23,947,476. The resultant difference of Kshs.24,409,955 has not been explained or reconciled.
- 1.13 The unnumbered cash flow from operations Note reflects increase in receivables amount of Kshs.1,411,267 which varies with the increase amount of Kshs.76,076,537 in the statement of financial position.

In the circumstances, the presentation and disclosure of the financial statements did not comply with the requirements of the template issued by Public Sector Accounting Standards Board.

437. Long Outstanding Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs.76,076,537 as disclosed in Note 15 to the financial statements. Review of records revealed that included in the balance is an amount of Kshs.42,452,815 which has been outstanding for over one (1) year and Management did not provide evidence to indicate mechanisms put in place to recover these long overdue debts.

In the circumstances, the accuracy and recoverability of receivables from exchange transactions of Kshs.42,452,815 could not be confirmed.

438. Unexplained Variance in the Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects total budgeted expenditure of Kshs.229,200,000 and actual expenditure of Kshs.263,995,411, resulting in an over-expenditure of Kshs.24,795,411 (or 15% above the budget). Further, the actual expenditure reflected of Kshs.394,692,233 which when casted reflects Kshs.263,995,411 leading to unreconciled variance of Kshs.130,696,822.

In the circumstances, the accuracy and completeness of statement of comparison of budget and actual amounts could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

439. Lack of Hospital Management Committee

During the year under review, the Hospital Management Committee to oversee administration, promote the development, approve plans, programs, and estimates of the

Hospital had not been constituted. This was contrary to Section 9(1) of the Kericho County Health Services Act, 2021 which states that the County Executive Committee Member for Health shall appoint the Hospital Committee consisting of nine (9) members.

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

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

Review of hospital records and interviews revealed the following deficiencies in staff, services and equipment: -

- i. Only one hundred and forty-two (142) staff were in establishment against the required three hundred and twenty-three (323) staff in seven (7) positions, resulting in unexplained variance of one hundred and thirty-six (136).
- ii. The Hospital had four (4) functional Intensive Care Unit beds and two (2) High Dependency Unit beds instead of twelve (12) beds for each.
- iii. There were only three (3) theatres instead of seven (7) while beds were only two hundred and seventy (270) instead of five hundred (500).
- iv. The maternity ward has only three (3) delivery coaches instead of six (6), new born incubators were six (6) instead of ten (10) and there were no new born HDU cots instead of the required six (6).

The deficiencies contravene the First Schedule of Health Act, 2017 and hence implies that accessing 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. Further this contravened the Kenya Quality Model for Health Policy Guidelines and hindered the realization of the Government program on Universal Health Coverage (UHC).

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

441. Lack of an Internal Audit Function

During the year under review, Management did not have an internal audit function and no risk assessment was performed. This was contrary to Section 155(5) of Public Finance Management Act, 2012 which stipulates that a county government entity shall maintain internal auditing arrangements, and shall ensure that it complies with this Act and (a) has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board was not followed.

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

442. Lack of Policies and Manuals

During the year under review, Management had not established key policies and manuals including Human Resource Policy and Procedures Manual, Finance and Accounting Manual, Assets Management Policy, Transport Management Policy, Risk Management Policy, Business Continuity Policy among others

In the circumstances, effectiveness of internal controls and risk management could not be confirmed.

443. Failure to Maintain Asset Register

During the under review, Management did not maintain a fixed asset register detailing dates of acquisition, location, depreciation, unique identification number, disposal among other details.

In the circumstances, the effectiveness of internal controls on maintaining of fixed asset register could not be confirmed.

KIPKELION SUB-COUNTY HOSPITAL - COUNTY GOVERNMENT OF KERICHO

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

444. Inaccuracies in the Financial Statements

The annual reports and the financial statements prepared and presented for audit had the followings errors: -

- vii. The financial statements do not include the chairman's statement which highlights key activities during the year, successes, challenges being faced, and the way forward or future outlook for the hospital. Further, the statement was not signed by the chairman of the governing body.
- viii. The report of the Health Management Committee/Board of Management was not signed by the secretary to the Board;
- ix. The statement of the Board of Management's responsibilities that includes approval of the financial statements and signed by the chairperson to the Board of Management and the accounting officer was missing;
- x. The financial statements do not include Projects Implemented by the entity in the table that summarizes the status of project completion at the end of each quarter, i.e. total costs incurred, stage in which the project is at;
- xi. Notes 14, 15, 16 and 17 to the financial statements are not aligned to the numbering in the statement of financial position; and
- xii. Revenue transferred of Kshs.5,799,013 reflected in the statement of financial performance was not referenced by way of Notes to the financial statements.

In the circumstances, the financial statements were not presented in accordance with Paragraph 27 of International Public Sector Accounting Standards (IPSAS 1).

445. Long Outstanding Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs.192,350 as disclosed in Note 14 to the financial statements. Review of records revealed that the amount has been outstanding for over one (1) year. However, there was no evidence to indicate that proper mechanisms had been put in place by Management to recover these long overdue debts.

In the circumstances, the accuracy and recoverability of receivables from exchange transactions of Kshs.192,350 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

446. Lack of Hospital Management Board

During the year under review, the Hospital Management Committee to oversee administration, promote the development, approve plans, programs, and estimates of the Hospital had not been constituted. This was contrary to Section 9(1) of the Kericho County Health Services Act, 2021 which states that the County Executive Committee Member for Health shall appoint the Hospital Committee consisting of nine (9) members.

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

447. Non-Compliance with Requirements on Universal Health Coverage (UHC)

Review of Hospital records and interviews revealed the following deficiencies in the implementation of Universal Health Coverage programme: -

- i. Only twelve (12) staff against the required one hundred and one (101) staff in seven (7) positions, resulting in unexplained variance of eighty-nine (89) staff;
- ii. The Hospital did not have functional departments of Medicine, Surgical, Pediatric, In-patients, Radiology, Renal dialysis, Tuberculosis management, Mortuary and autopsy services, advanced life support and Laboratory services of Lab class D;
- iii. There were only three (3) beds against the required one hundred and fifty (150) beds and only one (1) Resuscitative bed against the required three (3) beds. Further new born unit incubator was one (1) and one (1) cot against the required five (5) Incubators and five (5) cots; respectively
- iv. The Hospital did not have any functional intensive care unit bed and High Dependency Unit bed against six (6) of each, neither was there a Renal Unit with at least 5 dialysis machines nor the required two (2) functional operating theaters maternity and general ward.

The deficiencies contravened the First Schedule of Health Act, 2017 and implies that accessing 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, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

448. Lack of an Internal Audit Function

During the year under review, Management did not have an internal audit function and no risk assessment was performed. This was contrary to Section 155(5) of Public Finance Management Act, 2012 which stipulates that a county government entity shall maintain internal auditing arrangements, and shall ensure that it complies with this Act and (a) has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board was not followed.

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

449. Lack of Policies and Manuals

During the year under review, Management had not established key policies and manuals including Human Resource Policy and Procedures Manual, Finance and Accounting Manual, Assets Management Policy, Transport Management Policy, Risk Management Policy, Business continuity policy among others

In the circumstances, effectiveness of internal controls and risk management could not be confirmed.

450. Failure to Maintain Asset Register

During the year under review, Management did not a maintain a fixed asset register detailing dates of acquisition, location, depreciation, unique identification number, disposal among other details.

In the circumstances, the effectiveness of internal controls on fixed asset could not be confirmed.

451. Failure to Maintain Unique Official Email Address

During the year under review, the Hospital did not have an official email address but uses Gmail as the domain address, contrary to the provisions of Circular SH/ADM/23(1) from the Head of Public Service dated 14 June, 2022.

In the circumstances, effectiveness of internal controls and risk management could not be confirmed.

FORT TERNAN HOSPITAL - COUNTY GOVERNMENT OF KERICHO

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

452. Inaccuracies in the Presentation and Disclosure of Financial Statements

Review of the financial statements revealed the following errors and misstatements;

- i. The Hospital prepared the financial statements for the first time using IPSAS(Accrual) basis. However, the date of adoption of IPSASs and disclosure that the Hospital did not present financial statements for previous periods, its transitional IPSAS financial statements or its first IPSAS financial statements were not stated as required by IPSAS 33.
- ii. Hospital Committee Chairman's report has not been signed.
- iii. The statement of performance against predetermined objectives indicates theatre, surgical wards, hospital land, radiology and imaging department, morgue or holding room, incinerator, general stores, casualty emergency unit or administration or special clinics, laundry units as strategic pillars but the strategic plan was also not provided for audit.
- iv. The statement of cash flows indicates that notes on pages 1 to 39 form an integral part of the financial statements whereas the notes are on pages 6 to 38. In addition, the statement of financial position, the statement of financial performance, statement of changes in net assets, and the statement of comparison of budget and actual amounts does not include a clause that the notes set out on pages 6 to 38 form an integral part of the annual financial statements.
- v. Note 7 to the financial statements reflects rendering of services-medical services income amount of Kshs.18,648,764 which includes NHIF income amount of Kshs.14,292,374. However, the NHIF income was not classified into streams of income such as pharmaceuticals, laboratory, radiology among others.
- vi. Notes 8,13,15 and 16 are missing on the face of the financial statements and in the Notes.
- vii. The statement of financial position reflects net assets balance of Kshs.5,457,240 which varies with total liabilities and equity balance of Kshs.5,680,120 resulting in an unexplained variance of Kshs.222,880.
- viii. The statement of financial position reflects capital fund balance of Kshs.83,370 which was not supported with an explanatory Note and ledgers or schedule and was also omitted in the statement of changes in net assets.

- ix. The statement of comparison of budget and actual amounts reflects a balanced budget amount of Kshs.18,509,254 which was not supported with an analysis of the approved budget and the minutes of approval.
- x. Related parties under Note (p) to the financial statements indicates that members of key management are regarded as related parties and comprise the directors, the CEO/principal and senior managers whereas there is no CEO/principal in the Hospital.

In the circumstances, the accuracy, completeness, presentation and disclosure of the financial statements could not be confirmed and does not comply with the template issued by Public Sector Accounting Standards Board.

453. Inaccuracies in the Rendering of Services-Medical Service Income

The statement of financial performance reflects rendering of services-medical service income amount of Kshs.18,648,764 as disclosed in Note 7 to the financial statements. The amount includes NHIF income amount of Kshs.14,292,374 while amount invoiced to NHIF clients was Kshs.7,327,000 resulting in an unexplained variance of Kshs.6,965,374. In addition, NHIF records disclose that the amount disbursed to the Hospital during the year amounted to Kshs.9,517,709 resulting in unreconciled difference of Kshs.4,774,665.

In the circumstances, the occurrence, accuracy and completeness of NHIF income amounting to Kshs.14,292,374 could not be confirmed.

454. Undisclosed Inventory

The statement of financial position reflects Nil balance of inventory. However, the balance was not supported with annual stock take and bin cards for each item of stores.

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

455. Non-Disclosure and Lack of Ownership Documents

The statement of financial position reflects Nil amount for property, plant and equipment balance. Review of records revealed that the Hospital had various assets which includes land, buildings, furniture, computers and equipment which were not disclosed in the financial statements. Further, ownership documents for the land and equipment were not provided for audit. In addition, the Hospital had fifteen (15) medical equipment which were delivered on 21 August, 2021 but had not been put to use since delivery.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

456. Delay in Release of Capitation Funds

The statement of financial position reflects receivables from exchange transaction balance of Kshs.5,293,225 as disclosed in Note 14 to the financial statements. Included in the balance is an amount of Kshs.3,914,625 relating to receivable from National Health Insurance Fund (NHIF). According to clause 7.4 of the contract agreement between NHIF and the Hospital, capitation payment is to be paid to the Hospital within thirty (30) days after the capitation payment notice. Review of claims indicated that in the month of June, 2022 claims amounted to Kshs.1,002,100 implying that the balance of Kshs.2,912,525 had been outstanding for more than thirty (30) days contrary to the contract agreement. No evidence was provided to confirm that Management has put measures to recover the amounts within thirty (30) days stipulated in the contract.

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

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

Review of Hospital records and observation of the physical facilities revealed a shortfall of eighty-two (82) health workers. In addition, the Hospital did not provide surgical, radiology, renal dialysis and mortuary and autopsy services required for Level 4 hospitals. Further, the Hospital had shortage of land and equipment required of level-4-hospital.

In the circumstances, accessing highest attainable standard of health, which includes the right to health care services, including reproductive health care may not be achieved.

458. Failure to Appoint the Hospital Committee

According to Section 9(1) of the Kericho County Health Services Act, 2021, the County Executive Committee Member for Health is required to appoint the Hospital Committee consisting of nine (9) members. However, the Hospital committee had not been constituted as required to oversee administration, promote development and approve plans, programs and estimates.

In the circumstances, Management was in breach of the law and a likelihood of poor service delivery to the citizens due to lack of oversight could not be overruled.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

459. Poor Management of Inventory

During the year under review, Management did not implement First Expiry First Out (FEFO) stock control system as required by Section 1.2 (4) of the guidelines for Safe

Management of Pharmaceutical waste to minimize waste. This resulted to expired drugs whose values were not provided and which had not been disposed as at the time of audit in the month of June, 2023.

In addition, physical verification of the stores revealed that the food store did not have enough storage space to cater for inventory purchased as some of the bags and boxes were placed on the floor and therefore not protected against damages caused by cleaning water, deterioration by dampness, or insects. Further, there was no evidence provided to confirm that the stores were valued at the lower of cost and net realisable value as required by IPSAS 12.15.

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

**LONGISA COUNTY REFERRAL HOSPITAL -
COUNTY GOVERNMENT OF BOMET**

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

460. Inaccuracies in the Financial Statements

The financial statements presented for audit had the following inaccuracies:

1.1 The following variances between the financial statements and supporting schedules were noted;

Description	Financial Statements (Kshs.)	Support Schedules (Kshs.)	Variances (Kshs.)
Transfers from County Government	96,725,000	92,002,000	4,723,000
Medical/Clinical Costs	79,656,011	77,781,739	1,874,272
Board of Management Expenses	130,000	979,050	849,050
Repairs and Maintenance	7,444,994	3,397,670	4,047,324
General Expenses	11,751,915	3,248,484	8,503,431
Cash and Cash Equivalent	832,990	1,023,919	190,929
Inventory	5,093,185	6,336,994	1,243,809
Trade and Other Payables	12,165,495	4,658,728	7,506,767

1.2 The statement of financial performance reflects net deficit for the year of Kshs.6,239,320 which is not reflected in the statement of changes in net assets.

1.3 The statement of financial position reflects cash and cash equivalents balance of Kshs.832,990 while the cash book reflects Kshs.787,559 resulting in an unexplained variance of Kshs.45,431.

1.4 The statement of financial position reflects inventory balance of Kshs.5,093,185 while the stock sheets reflect Kshs.6,336,809 resulting in unreconciled variance of Kshs.1,243,624.

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

461. Unsupported Expenditure on Food and Ration

The statement of financial performance reflects medical/clinical cost of Kshs.79,656,011 as disclosed in Note 15 to the financial statements. Included in the amount

is Kshs.19,721,369 incurred in the purchase of food and ration that has not been supported by receipts in the stores, issue notes and bin cards.

In the circumstances, the accuracy and completeness of food and ration expenditure of Kshs.19,721,369 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

462. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

463. Lack of Risk Management Policy

During the year under review, the Hospital did not have a Risk Management Policy in place. This was contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall ensure that (a) the county government entity develops risk management strategies, which include fraud prevention mechanism; and (b) the county government entity develops a system of risk management and internal control that builds robust business operations.

In circumstances, the effectiveness of risk management could not be confirmed.

464. Failure to Maintain an Assets Register

Records provided for audit revealed that Hospital does not maintain an asset register for its movable and non-movable assets. This was contrary to Regulation 170(1) of the Public Procurement and Asset Disposal Regulation, 2020 which provides that an Accounting Officer of a procuring entity shall be responsible for maintaining a register of assets under his or her control or possession.

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

LUMUMBA SUB-COUNTY HOSPITAL - COUNTY GOVERNMENT OF KISUMU

REPORT ON THE FINANCIAL STATEMENTS

Basis for Disclaimer of Opinion

465. Non-Compliance with the Prescribed Financial Reporting Template

Review of the annual report and financial statements revealed that Management did not comply with the reporting template for Levels 4 and 5 hospitals, issued in June, 2022, by the Public Sector Accounting Standards Board (PSASB) as highlighted below;

- i. The date when the financial statements were approved is not indicated.
- ii. Management did not capture details relating to the Hospital in the following statements which were copied from prescribed reporting template without editing: statement of performance against predetermined objectives, corporate governance statement, management discussion and analysis, environmental and sustainability reporting, report of the Board of Management and statement of Board of Management's responsibilities.
- iii. The statement of changes in net asset does not reflect any amounts.
- iv. The statement of cash flows does not capture the specific notes numbering.
- v. The statement of comparison of budget and actual amounts is incomplete since it does not reflect any budget amounts.
- vi. Cash generated from operations under Note 41 is blank.
- vii. The financial statements were not signed by the Head of Finance.

This is contrary to Section 164(1) of the Public Finance Management Act, 2012, which requires Accounting Officer of a County Government entity to prepare financial statements of the entity in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board.

In the circumstances, the completeness, presentation and disclosures of the financial statements do not comply with the prescribed template by the PSASB. Further, Management was in breach of the law.

466. Inaccuracies in the Financial Statements

Review of the financial statements revealed the following anomalies;

466.1 Variance in the Transfers from Other Government Entities

The statement of financial performance reflects transfers from other Government entities amount of Kshs.1,334,180, while the supporting Note 9 to the financial statements reflects an amount of Kshs.1,238,450 resulting in an unexplained and unreconciled variance of Kshs.95,730.

466.2 Inaccuracies in the Statement of Financial Position

The statement of financial position reflects total net assets and liabilities balance of Kshs.2,925,486, which differs with the re-casted balance of Kshs.11,872,152, resulting in an unexplained and unreconciled variance of Kshs.8,946,666. Further, the re-casted balance of Kshs.11,872,152 differs with total assets balance of Kshs.235,079,954, resulting in an unexplained and unreconciled variance of Kshs.223,207,802 and therefore an unbalanced statement of financial position. In addition, the statement of financial position reflects an unexplained negative capital fund balance of Kshs.160,334.

466.3 Inaccuracies in the Statement of Changes in Net Assets

The statement of changes in net assets reflects nil balances in respect of total net assets and liabilities while the statement of financial position reflects accumulated surplus and negative capital fund balance of Kshs.4,191,993 and Kshs.160,344, respectively resulting in an unexplained and unreconciled variance of Kshs.4,031,649.

466.4 Inaccuracies in the Statement of Cash Flows

The statement of cash flows reflects total receipts amount of Kshs.13,862,120 which differs with the re-casted amount of Kshs.13,973,090, resulting in an unexplained and unreconciled variance of Kshs.110,970. Further, the statement of cash flows reflects nil balance in respect of net cash flows from operating activities, re-computation of the total reflects an amount of Kshs.1,781,023 resulting in an unexplained and unreconciled variance of Kshs.1,781,023. In addition, the statement of cash flows reflects nil net increase in cash and cash equivalents which differs with the re-computed amount of Kshs.1,620,679. Similarly, the statement of cash flows reflects cash and cash equivalents balance of Kshs.2,330,578 which differs with the re-computed balance of Kshs.3,291,786 resulting in an unexplained and unreconciled variance of Kshs.961,208. Further, the recomputed balance of Kshs.3,291,786 differs with cash and cash equivalents balance of Kshs.2,197,978 reported in the statement of financial position resulting in an unreconciled variance of Kshs.1,093,808.

466.5 Unbalanced Trial Balance

The trial balance used to prepare the financial statements reflects total debit and credit balances of Kshs.247,453,995 and Kshs.24,113,593, respectively resulting in an unexplained and unreconciled variance of Kshs.223,340,402.

466.6 Unreconciled Variances Between the Financial Statements and Supporting Schedules or Ledger

Review of financial statements revealed unexplained and unreconciled variances between the financial statements amounts and balances and the supporting schedules as detailed below;

Component	Financial Statements Figure (Kshs.)	Schedules/ Ledger (Kshs.)	Variance (Kshs.)
Transfers from Other Government Entities (NHIF)	1,334,180	1,238,450	95,730
In-kind contributions from County Government	2,300,000	2,250,472	49,528
Medical/Clinical Costs	5,615,962	4,915,603	700,359
Repairs and Maintenance	633,037	636,533	(3,496)
General Expenses	3,903,062	4,602,427	(699,365)

466.7 Variances Between NHIF Receipts and Bank Statements

The statement of financial performance reflects transfers from other Government entities (NHIF) amount of Kshs.1,334,180 as disclosed in Note 9 to the financial statements. However, review of the bank statements revealed that the Hospital received NHIF funding amounting to Kshs.1,238,450, resulting in an unexplained variance of Kshs.95,730.

In the circumstances, the accuracy, completeness, presentation and disclosure of the financial statements could not be confirmed.

467. Inaccuracies in the Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.7,840,503 as disclosed in Note 34 to the financial statements. However, the balance revealed the following issues;

- i. The balance of Kshs.7,840,503 differs with corresponding amounts reflected in the supporting schedules as follows;

Item	Amounts as per Financial Statements (Kshs.)	Amount in the Supporting Schedule (Kshs.)	Variance (Kshs.)
Trade Payables	7,095,496	6,863,498	231,998
Employee Dues (Accrued Wages)	700,007	920,305	(220,298)
Statutory Deductions	45,000	56,700	(11,700)

- ii. Further, invoices, demand notices, suppliers' statements, fee notes and delivery notes confirming the authenticity of the trade payables were not provided for audit. In addition, age analysis of the trade and other payables could not be confirmed.

- iii. In addition, no reason was given for failure to settle the bills balance of Kshs.7,840,503 during the financial year 2021/2022, contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015 which stipulates that 'debt service payments shall be a first charge on the County Revenue Fund and the Accounting Officer shall ensure this is done to the extent possible that the County Government does not default on debt obligations'.

In the circumstances, the existence, accuracy and completeness of the trade and other payables balance of Kshs.7,840,503 could not be confirmed. Further, suppliers may decline to do business with the Hospital in future while others may take legal action against the Hospital and demand interest on delayed payment.

468. Unsupported Rendering of Services – Medical Service Income

The statement of financial performance reflects rendering of services - medical service income amount of Kshs.5,112,434 as disclosed in Note 11 to the financial statements. However, the Hospital did not maintain copies of receipts issued (receipt books) to support the amount hence revenue may have been collected but not accounted for.

In the circumstances, the accuracy and completeness of the rendering of services - medical service income amounting to Kshs.5,112,434 could not be confirmed.

469. Inaccuracies in the Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.2,197,978 as disclosed in Note 27 to the financial statements. However, bank reconciliation statement for the month of June, 2022 includes reconciling items in respect of payments in cash book not yet recorded in the bank statement (unpresented cheques) and receipts in bank statement not yet recorded in cash book amounting to Kshs.117,480 and Kshs.15,240, respectively. Further, schedules showing the dates when the transactions took place were not provided for audit. In addition, the cash and cash equivalents balance of Kshs.2,197,978 differs with the trial balance of Kshs.2,330,578 resulting in an unreconciled variance of Kshs.132,600.

Similarly, review of cash book revealed numerous alterations of amounts, an indication that the cash book did not balance. Further, the cash book was neither checked by the next senior officer or internal auditor nor did the accountant capture either voucher number or cheque number in the cash book. In addition, review of vote book revealed that a number of vote heads were not up to date.

In the circumstances, the existence, accuracy and completeness of the cash and cash equivalents balance of Kshs.2,197,978 could not be confirmed. Further, the effectiveness of internal controls over maintenance of vote book and cash book could not be confirmed.

470. Failure to Open Facility Improvement Bank Account

Review of financial statements and documents related to bank accounts revealed that the Management had not opened a Facility Improvement Bank Account for the Hospital. No explanation was given for the omission. This is contrary to Section 5(a) of the Kisumu

County Health Facilities Improvement Fund Act, 2021, which states that 'each public health facility shall open and operate a bank account called Facility Improvement Bank Account in respect of each facility'.

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

471. Unsupported Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs.1,104,620 as disclosed in Note 28 to the financial statements which relates to medical services receivables. However, the claims schedule provided for audit reflected block amounts whose details could not be ascertained. Further, Management did not provide statements on the claims paid.

In the circumstances, the existence, accuracy and completeness of the receivables from exchange transactions balance of Kshs.1,104,620 could not be confirmed.

472. Inaccuracies in the Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.231,777,356 as disclosed in Note 31 to the financial statements. The following unsatisfactory matters were noted;

472.1 Inaccuracies in the Property, Plant and Equipment

The balance of Kshs.231,777,356 differs with Note 31 to the financial statements and the trial balance of Kshs.231,937,700 resulting in an unexplained variance of Kshs.160,344 which represents additions during the year under review. Further, Note 31 to the financial statements does not reflect the net book values, accumulated depreciation and depreciation charge for the year. This is contrary to Note 4(e) on the summary of significant accounting policies which reflects that property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. In addition, Note 4(e) has not disclosed the adopted depreciation rate by the Hospital.

472.2 Lack of Ownership Documents for Land and Buildings

The balance of Kshs.231,777,356 includes buildings and civil works balance of Kshs.200,569,900 and nil land balance. However, the title documents provided for audit showed that the land on which the Hospital is built is in the name of the defunct Municipal Council of Kisumu.

472.3 Lack of Valuation Reports on Land and Buildings

Valuation report to support the buildings and civil works balance of Kshs.200,569,900 were not provided for audit. Further, the parcel of land had not been surveyed and report provided for audit review. This was contrary to Paragraphs 26 and 27 of International Public Sector Accounting Standards (IPSAS) 17, which states that 'an item of property, plant and equipment that qualifies for recognition as an asset shall be measured at its

cost. Where an asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value at the date of acquisition’.

472.4 Lack of Fixed Assets Register

Management did not maintain a fixed assets register contrary to Regulation 136(1) of the Public Finance Management (County Governments) Regulations, 2015, which provides that ‘the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws’.

472.5 Undisclosed Furniture, Fittings and Office Equipment

The balance of Kshs.231,777,356 excludes Hospital’s furniture, fittings and office equipment, contrary to Paragraphs 26 and 27 of International Public Sector Accounting Standards (IPSAS) 17, which states that ‘an item of property, plant and equipment that qualifies for recognition as an asset shall be measured at its cost. Where an asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value at the date of acquisition’.

In the circumstances, the existence, ownership, valuation, accuracy, completeness, presentation and disclosure of the property, plant and equipment balance of Kshs.231,777,356 could not be confirmed. Further, Management was in breach of the law.

473. Inaccuracies in the Inventories

The statement of financial position reflects nil balance in respect of inventories, despite the fact that the Hospital has inventories in form of pharmaceutical and non-pharmaceutical items. No satisfactory explanation was provided for the omission. Further, during the year under review, Management did not conduct stocktake for inventories, contrary to Section 162(1) of the Public Procurement and Asset Disposal Act, 2015. Further, it was noted that the Hospital lacked a proper inventory management system and therefore it was not possible to ascertain how the goods in the Hospital were utilized.

In the circumstances, the accuracy and completeness of the nil inventories balance could not be confirmed. Further, Management was in breach of the law.

474. Inaccuracies in the Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects total actual revenue and expenditure amounts of Kshs.13,973,090 and Kshs.12,241,441, respectively and nil income and expenditure budgets. Review of the Hospital’s budget revealed that no budget estimates for revenue was prepared, contrary to the requirements of Regulations 28(1) and (2) of the Public Finance Management (County Governments) Regulations, 2015. No explanation was provided why the expenditure budget amounts were not included in the statement of comparison of budget and actual amounts and reasons as to why the revenue budget not prepared.

Further, the actual revenue amount of Kshs.13,973,090 differs with corresponding amount of Kshs.16,273,090 reflected in the statement of financial performance, resulting in an unreconciled and unexplained variance of Kshs.2,300,000.

In the circumstances, the accuracy, completeness, presentation and disclosure of the statement of comparison of budget and actual amounts could not be confirmed. Further, Management was in breach of the law.

475. Lack of Statute Guiding Existence and Operations of the Hospital

Review of laws relating to County Government entities revealed that there is no Act of Parliament or of County Assembly regulating or guiding the establishment and operations of health facilities in the Counties, despite the fact that health services, including County Health Facilities and Pharmacies are County Government functions under Article 176(2) of the Constitution of Kenya, 2010.

In the circumstances, it has not been possible to establish the legal existence and operations of Lumumba Sub-County Hospital.

476. Non-Provision of Procurement of Goods and Services Related to Clinical or Medical Expense

The statement of financial performance reflects medical or clinical costs amount of Kshs.5,615,962 as disclosed in Note 15 to the financial statements which includes payments totalling to Kshs.1,585,511 whose supporting procurement documents such as tender documents including tender opening minutes, bids from all bidders, quotations, appointment letters to tender opening and evaluation committees, tender committee minutes, tender evaluation report, notification of awards, acceptance letters, professional opinion and contract or service agreements were not provided for audit. Further, it was not possible to confirm whether the suppliers or merchants were competitively sourced. This is contrary to Section 9(1)(e) of the Public Audit Act, 2015, which states that 'without prejudice to the powers given under the Constitution and this Act and for the purposes of carrying out his or her duties effectively, the Auditor-General, or an officer authorized for the purpose of this Act, shall have powers of unrestricted access to-(i) all books, records, returns, reports, electronic or otherwise and other documents of entities listed under Article 229(4) of the Constitution'.

In the circumstances, value for money may not have been realized on the expenditure of Kshs.1,585,511. Further, Management was in breach of the law.

477. Failure to Implement E-Procurement System

During the year, Management had not implemented E-Procurement System as required by Executive Order No. 2 of 2018 and Regulation 49(2) of the Public Procurement and Asset Disposal Regulations, 2020 which states that 'the conduct of e-procurement procedures for the supply of goods, works and services shall be carried out by a procuring entity using an e-procurement system which is integrated to the State Portal'. Management explained that this was because they did not have access to the Integrated Financial Management Information System (IFMIS) and that the procurement of goods

and services used by the Hospital was done by Kisumu County Referral Hospital which had access to the IFMIS. No approval or explanation for this arrangement was provided for audit.

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

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

Verification of services offered, equipment used and number of staffing at the Hospital revealed that during the year under review, the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines. It was noted that a number of services, personnel engaged and equipment available were not as per Kenya Quality Model for Health Policy Guidelines as analyzed below:

Personnel Requirements	Level 4 Standard	Number in Hospital
Medical Officers	16	2
Anaesthesiologists	2	1
General Surgeons	2	0
Gynecologists	2	1
Pediatrics	2	1
Kenya Registered Community Health Nurses	75	15

Service Provision Requirements

Services	Standard	Observation
Surgical	Should be in place	In place (Outpatient)
Pediatric	Should be in place	In place (Outpatient)
In-Patients	Should be in place	In place (Only Maternity and Gynecology)
Renal Dialysis	Should be in place	Not in place
Mortuary and Autopsy Services	Should be in place	Not in place
Advanced Life Support	Should be in place	Not in place
Beds	150	25
New Born Unit - Incubators	5	4 incubators (none is being utilized)
New Born Unit Cots	5	8 (none is being utilized)
Functional Intensive Care Unit - Beds	6	0
High Dependency Unit - Beds	6	0
Renal Unit Dialysis Machines	5	0
Two Functional Operating Theaters Maternity and General	2	1 (General)

In the circumstances, Universal Health Coverage may not be effectively delivered at the Hospital.

479. Failure to Establish Audit Committee and Operations of Internal Audit Unit

During the year, the Hospital had not established an Audit Committee and no evidence or report was provided to confirm that Management relied on the Internal Audit Department of the County Executive of Kisumu. This is contrary to Regulation 167(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires each County Government entity to establish an Audit Committee.

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

480. Ineffective Governance by the Board of Management

The statement of financial performance reflects Board of Management expenses of Kshs.136,500 as disclosed in Note 17 to the financial statements. Review of Board records revealed that the Board of Management only met three times during the financial year under audit, contrary to the institutional setup for administration and management of Health Services in Kisumu County, under the sub-heading, "Conduct of Meetings" which states that 'the Board and sub-Committees shall convene once per quarter in each financial year (i.e. four full board meetings)'.

In the circumstances, the effectiveness of governance in the Hospital could not be confirmed.

KOMBEWA COUNTY HOSPITAL - COUNTY GOVERNMENT OF KISUMU

REPORT ON THE FINANCIAL STATEMENTS

Basis for Disclaimer of Opinion

481. Presentation and Disclosure Anomalies in the Financial Statements

The annual report and financial statements include the following anomalies, contrary to the requirements of the financial reporting template issued by the Public Sector Accounting Standards Board:

- i. The headings of the reports and financial statements are not numbered with upper case roman numbers as indicated in the table of contents.
- ii. The Board of Management table does not reflect passport size photos, details of key qualifications, work experiences and ages of Board members. Also, the table does not indicate whether a Board member is independent or executive member and which committee of the Board the member chairs where applicable. Details of whether the members are independent and/or alternates are also not indicated.
- iii. Management Team table does not have passport size photos of the managers and managers' main areas of responsibilities.
- iv. The notes referenced in the statement of financial performance and statement of financial position do not match the corresponding notes in the financial statements and are therefore misleading.

In the circumstances, the presentation and disclosures in the financial statements do not comply with the accounting standards as prescribed by the Public Sector Accounting Standards Board.

482. Inaccuracies in the Financial Statements Amounts

Review of the financial statements and supporting records revealed the following variances and inaccuracies:

482.1 Variances Between Financial Statements Balances and Supporting Schedules Amounts

Comparison between the financial statements and supporting schedules revealed unexplained variances as indicated below;

Component	Financial Statements Balances	Schedules/ Ledger	Variance
	Kshs.	Kshs.	Kshs.
Transfers from the County Government	8,201,901	8,146,442	55,459
Medical/Clinical costs	5,686,680	4,817,637	869,043
Employee Costs	2,218,162	1,174,562	1,043,600
Repairs and Maintenance	388,596	613,835	(225,239)
General Expenses	1,916,339	1,057,519	858,820
Medical Services Contract Gains/Losses	120,000	-	120,000
Trade and Other Payables	2,218,162	8,181,241	(5,963,079)

482.2 Variances Between Financial Statements Amounts and Notes

A comparison of the amounts reflected in the financial statements and those reflected in the supporting notes to the financial statements revealed the following unexplained variances:

Component	Financial Statements Balances (Kshs.)	Notes to Financial Statements Balances (Kshs.)	Variance (Kshs.)
Transfers from Other Government Entities	-	614,000	(614,000)
Medical/Clinical costs	5,686,680	5,686,688	(8)
Receivables from Non-Exchange Transactions	-	3,749,812	(3,749,812)

482.3 Variance in Transfers from the County Government

The statement of financial performance reflects transfers from the County Government balance of Kshs.8,201,901, while the financial statements of the County Executive of Kisumu reflected a corresponding amount of Kshs.8,146,442, resulting in an unreconciled and unexplained variance of Kshs.55,459.

482.4 Inaccuracies in the Statement of Financial Position

The statement of financial position reflects total net assets and liabilities balance of Kshs.1,034,717 which differs with the re-computed balance of Kshs.4,204,909, resulting in an unexplained or unreconciled variance of Kshs.3,170,192. Further, the re-computed balance of Kshs.4,204,909 differs with the total assets balance of Kshs.10,266,132, resulting in an unexplained or unreconciled variance of Kshs.6,061,223 which implies that the statement of financial position is not balancing.

482.5 Inaccuracies in the Statement of Cash Flows

The statement of cash flows reflects net cash flows from operating activities amount of Kshs.1,866,747, while Note 40 to the financial statements on cash generated from operations reflects a corresponding nil balance, resulting in an unexplained and unreconciled variance of Kshs.1,866,747. Further, the statement reflects cash and cash equivalents balance of Kshs.1,866,747 as at 30 June, 2022 which differs with cash and cash equivalents balance of Kshs.6,516,320 reported in the statement of financial position, resulting in an unexplained and unreconciled variance of Kshs.4,649,573.

482.6 Variance in Capital Expenditure Amount

The statement of comparison of budget and actual amounts reflects actual capital expenditure amount of Kshs.10,209,777, while Note 30 to the financial statements on property, plant and equipment reflects nil balance, resulting in an unexplained variance of Kshs.10,209,777.

482.7 Inaccuracies in the Trial Balance

The trial balance used to prepare the financial statements reflects total debit and credit balances of Kshs.10,631,581 and Kshs.12,141,356 respectively, resulting in an unexplained or unreconciled variance of Kshs.1,509,775. Further, the statement of financial performance reflects rendering of services-medical service income of Kshs.3,629,819, while the trial balance reflects nil balance resulting in an unreconciled and unexplained variance of Kshs.3,629,819.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

483. Unsupported Cash and Cash Equivalents Balance

The statement of financial position reflects cash and cash equivalents balance of Kshs.6,516,321 as disclosed in Notes 26 and 27(a) to the financial statements. The following observations were made:

- i. As disclosed in 27(a), the balance includes an amount of Kshs.6,514,002 in respect of one bank account, while the cash book for the account shows a balance of Kshs.35,319 as at 30 June, 2022, resulting in an unreconciled variance of Kshs.6,478,683.
- ii. The Management did not provide bank reconciliation statements for two (2) bank accounts held at Kenya Commercial Bank (K) Ltd and Co-operative Bank of Kenya Ltd. No explanation was provided for failure to prepare bank reconciliation statements on a monthly basis.
- iii. The Board of Survey report and certificates of bank balances for the two accounts and bank statement for the period from July, 2021 to June, 2022 were not provided for audit.

- iv. Management did not maintain a vote book and cash book for a Facility Improvement Fund Account.
- v. Review of the cash book for the financial year 2021/2022 presented for audit revealed various alterations with page 2 indicating 7 October, 2022 on receipts side, while the payments side showed dates of 27 October, 2021 to 19 November, 2021, an indication of cash book manipulation. In addition, the cash book was not checked by the next senior officer or internal auditor.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.6,516,321 could not be confirmed.

484. Unsupported Property, Plant and Equipment

The statement of financial position reflects nil balance in respect of property, plant and equipment. However, physical verification carried out revealed that the Hospital owned various assets including land, buildings, motor vehicles, hospital equipment, computers and furniture and fittings. Management explained that the assets were not accounted for because they had not been valued.

Further, Management did not provide for audit an approved assets register that complies with the relevant regulations to support the nil balance. This was contrary to Regulation 136(1) of the Public Finance Management (County Governments) Regulations, 2015, which provides that 'the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws'.

In the circumstances, Management was in breach of the law and the accuracy and completeness of the property, plant and equipment Nil balance could not be confirmed.

485. Unsupported Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.2,218,162 which, as disclosed in Note 33 to the financial statements, relates to employees' dues. However, the payroll extract supporting the amount was not provided for audit while the Hospital Management Committee's minutes dated 15 June, 2022 indicated that pending bills amount was Kshs.17,000,000, resulting in unexplained variance of Kshs.14,781,838.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.2,218,162 could not be confirmed.

486. Unsupported Medical/Clinical Costs

The statement of financial performance reflects medical/clinical costs totalling to Kshs.5,686,680 which includes an expenditure of Kshs.1,486,380 whose supporting payment vouchers and related supporting documents were not provided for audit.

In the circumstances, the accuracy, completeness and validity of the expenditure of Kshs.1,486,380 could not be confirmed.

487. Unsupported Rendering of Services – Medical Service Income Amount

The statement of financial performance reflects rendering of services-medical service income amount of Kshs.3,629,819 as disclosed in Note 10 to the financial statements. However, the supporting ledger schedule and copies of receipts issued were not provided for audit. As such, the Hospital may have lost some revenue collected but not accounted for.

Further, review of cash book revealed that the amount of Kshs.3,629,819 was not posted to the cash book. In addition, the amount includes Kshs.479,009 collected during the period from 1 July to 30 September, 2021, whose evidence of banking was not provided for audit.

In addition, the amount of Kshs.3,629,819 differs with the amount of Facility Improvement Fund (FIF) Authority to Incur Expenditure (AIE) received during the year under review of Kshs.6,893,745, resulting in an unexplained variance of Kshs.3,263,926.

In the circumstances, the accuracy and completeness of the revenue of Kshs.3,629,819 could not be confirmed.

488. Unsupported General Expenses

The statement of financial performance reflects general expenses amount of Kshs.1,916,339 which includes an amount of Kshs.159,951 whose payment vouchers and related supporting documents such as procurement documents like tender opening minutes, bids from all bidders, quotations, appointment letters to tender opening and evaluation committee, tender committee minutes, tender evaluation committee, notification of awards, acceptance letters, professional opinion, contract or service agreements, were not provided for audit.

In the circumstances, the accuracy, completeness and validity of the expenditure of Kshs.159,951 could not be confirmed.

489. Unsupported Transfer from the National Government

As disclosed in Note 8 to the financial statements, transfer from the National Government (Ministry of Health) amounted to Kshs.614,000. However, the supporting schedules and other relevant documentation were not provided for audit.

In the circumstances, the accuracy and completeness of the transfer from the National Government (Ministry of Health) amount of Kshs.614,000 could not be confirmed.

490. Unsupported Medical Services Gain/Losses

The statement of financial performance reflects medical services contracts gains/losses amounting to Kshs.120,000 whose supporting documentation, such as minutes to support the waivers and exemptions were not provided for audit.

In the circumstances, the accuracy and completeness of the medical services contracts gains/losses amount of Kshs.120,000 could not be confirmed.

491. Unsupported Inventories Balance

The statement of financial position reflects inventories balance of Kshs.3,749,812 and as disclosed in Note 29 to the financial statements. However, ledger schedules and stock take reports in support of the balance were not provided for audit.

In the circumstances, the accuracy and completeness of the inventories balance of Kshs.3,749,812 could not be confirmed.

492. Failure to Implement E-procurement System

Review of the procurement records revealed that the Hospital had not implemented E-Procurement system and therefore had not complied with the requirements of the Executive Order No. 2 of 2018 which states that 'effective July, 2018, all public procuring entities shall maintain and continuously update and publicize through the websites of the Public Procuring Entity, e-Citizen, Public Procurement Regulatory Authority platforms, public notice boards and/or official government publications.

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

493. Failure to Open Facility Improvement Bank Account

Review of financial statements and documents related to bank accounts revealed that Management had not opened Facility Improvement Bank Account for the Hospital. There was also no evidence to show efforts made towards opening the same. No plausible explanation was given for the omission. This is contrary to Section 5(a) of the Kisumu County Health Facilities Improvement Fund Act, 2021, which states that 'each public health facility shall open and operate a bank account called Facility Improvement Bank Account in respect of each facility'.

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

494. Irregular Procurement of Goods and Services

The statement of financial performance reflects Medical/Clinical costs amounting to Kshs.5,686,688 which as disclosed in Note 14 to the financial statements includes an amount of Kshs.2,738,107. However, supporting procurement documents, including tender opening minutes, bids from all bidders, quotations, appointment letters to tender opening and evaluation committee, tender committee minutes, tender evaluation committee, notification of awards, acceptance letters, professional opinion, contract or service agreements were not provided for audit. As a result, it was not possible to confirm whether the suppliers or merchants were competitively sourced.

In the circumstances, value for money obtained from the clinical/medical expenditure of Kshs.2,738,107 could not be confirmed.

495. Stalled Projects

Annex II to the financial statements reflects three (3) stalled projects, namely: Maternity/Theatre, Pediatric Hospital and Perimeter Wall, whose completion status are

indicated as 80%, 10% and 60% respectively. Further, the total project costs and total expenses to date are not reflected in the Annex.

In the circumstances, value for money may not have been achieved on the stalled projects.

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

During the year under review, verification of services offered, equipment used and staffing levels revealed that the Hospital did not meet a number of key specifications as prescribed by the Kenya Quality Model for Health policy guidelines as analysed below:

Personnel	Level 4 Standard	Actual Numbers	Deficit
Medical Officers	16	3	13
Anaesthesiologists	2	0	2
General Surgeons	2	0	2
Gynecologists	2	0	2
Paediatrics	2	0	2
Radiologists	2	0	2
Kenya Registered Community Health Nurses	75	35	40

In the circumstances, the Universal Health Coverage may not be effectively delivered at the Hospital.

497. Failure to Establish Audit Committee and Operations of Internal Audit Unit

During the year under review, the Hospital had not established an audit committee. Further, Management did not rely on the Internal Audit Department of the County Executive of Kisumu since no evidence showing that the Hospital had been audited by Internal Audit from the County Executive was provided for audit. This is contrary to Regulation 167(1) of the Public Finance Management (County Governments) Regulations, which requires each County Government entity to establish an Audit Committee.

In the circumstances, the effectiveness of internal controls and governance could not be confirmed.

498. Ineffective Governance by the Board of Management

The statement of financial performance reflects Board of management expenses totalling to Kshs.136,500. However, the following audit issues were noted:

- i) During the year under review, the Board operated without an approved charter, contrary to Section 1.1 1 of Mwongozo Code of Governance for State Corporations, which requires the Board of Directors to develop and adopt a Board Charter which defines the roles, responsibilities and functions of the Board. The Board should periodically review its Board Charter.

- ii) Review of Board records revealed that the Board of Management only met three times during the financial year under audit, contrary to the institutional setup for administration and management of Health Services in Kisumu County, under the sub-heading, “Conduct of Meetings” which states that ‘the board and sub-committees shall convene once per quarter in each financial year meaning four (4) full board meetings’.
- iii) Review of Board of Management records also revealed that the Board did not have an approved annual Board work plan and calendar as stipulated under Chapter 1 (1.9) of Mwongozo Code of Governance. No explanation was provided for the omission.

In the circumstances, the effectiveness of governance in the Hospital could not be confirmed.

499. Failure to Conduct Annual and Quarterly Stock Take

During the year under review, the Management did not conduct stock take in respect of the Hospital’s inventories as required by Section 162(1) of the Public Procurement and Asset Disposal Act, 2015. Further, it was noted that the Hospital lacked a proper inventory management system and, therefore, it was not possible to confirm whether the goods in the Hospital were well utilized.

In the circumstances, the effectiveness of internal controls over inventory could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

500. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

501. There were no material issues relating to effectiveness of internal controls, risk management and governance.

KISUMU COUNTY REFERRAL HOSPITAL - COUNTY GOVERNMENT OF KISUMU

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

Basis for Qualified Opinion

502. Inaccuracy in Transfers from the County Government

The statement of financial performance reflects transfers from the County Government amount of Kshs.60,500,000. However, the financial statements of Kisumu County Executive indicated Nil balance transfers to Kisumu County Referral Hospital during the year under review, resulting in an unexplained or unreconciled variance of Kshs.60,500,000.

In the circumstances, the accuracy and completeness of the transfers from the County Government amount of Kshs.60,500,000 could not be confirmed.

503. Inaccuracy in Transfers from Other Government Entities

The statement of financial performance reflects transfers from other Government entities amount of Kshs.22,286,768 which, as disclosed in Note 9 to the financial statements, was transferred from the County Department of Health for Universal Health Coverage (UHC). However, the financial statements of Kisumu County Executive indicated Nil balance transfers to Kisumu County Referral Hospital during the year under review, resulting in an unexplained and unreconciled variance of Kshs.22,286,768.

In the circumstances, the accuracy and completeness of the transfers from other Government entities amount of Kshs.22,286,768 could not be confirmed.

504. Inaccuracies in Property, Plant and Equipment Balance

The statement of financial position reflects property, plant and equipment balance of Kshs.307,928,929 which, as disclosed in Note 31 to the financial statements, includes buildings and civil works, ICT equipment, and plant and medical equipment balances of Kshs.305,515,565, Kshs.1,543,427 and Kshs.869,938 respectively.

Management explained that the balance of Kshs.307,928,929 was derived by estimating fair values of some assets and using those fair values as deemed costs. However, the balance does not include the fair values of the land occupied by the Hospital and 12 categories of asset whose values had not been estimated and included in the fixed assets register provided for audit.

This was contrary to Paragraph 64(c) of the International Public Sector Accounting Standards (IPSAS) 33, which provides that a first-time adopter of accrual basis of accounting may elect to measure property, plant and equipment at their fair value when

reliable cost information about the assets is not available, and use that fair value as they deemed.

Further, Note 31 to the financial statements reflects Nil balance total cost opening balance as at 1 July, 2021 which differs with the closing balance of Kshs.313,349,297 as at 30 June, 2021, resulting in an unexplained variance of Kshs.313,349,297. Similarly, the Note reflects total cost balance of Kshs.2,566,570 as at 30 June, 2022, which differs with the recomputed balance of Kshs.315,915,867, resulting in an unexplained variance of Kshs.313,349,297.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.307,928,929 could not be confirmed.

505. Unsupported Balances in the Financial Statements

The statement of financial position and statement of changes in net assets reflects capital fund balance of Kshs.207,163,232 which, according to Management, includes the following opening balances:

Item	Opening Balance (Kshs.)
Opening Property, Plant and Equipment	313,349,297
Opening Trade Payables	(96,228,690)
Opening Receivables	9,726,458
Employees Cost	(4,359,119)
Revenue from Rendering Service	(15,823,863)
Opening Bank Balance	499,149
Total	207,163,232

However, apart from the opening property, plant and equipment balance of Kshs.313,349,297, supporting documents for the rest of the opening balances were not provided for audit.

Further, the statement of cash flows reflects cash and cash equivalents balance of Kshs.499,149 as at 1 July, 2021, whose supporting cash books and bank reconciliation statements were not provided for audit.

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

506. Inaccuracies in the Statement of Cash Flows

The statement of cash flows reflects rendering of services – medical service income of Kshs.34,592,744. However, the statement of financial performance reflects Kshs.63,050,478, resulting in an unexplained variance of Kshs.28,457,734. Further, Management explained that included in the difference of Kshs.28,457,734 is an amount of Kshs.15,823,862 relating to revenue collections for the period between July and December, 2021 and therefore a receivable from exchange transactions as at

30 June, 2022. The balance is at variance with the reported receivable from exchange transactions balance of Kshs.8,052,780 reflected in the statement of financial position resulting in unexplained variance of Kshs.7,771,082.

In addition, Management explained that the amount of Kshs.28,457,734 includes waivers and exemptions of Kshs.5,349,900 and Kshs.8,052,780 respectively, all totalling to Kshs.13,402,680. However, the amounts have not been reported in statement of financial performance and the supporting documents and approvals for waivers and exemptions were not provided for audit.

In the circumstances, the propriety of the waivers and exemptions and the accuracy of the statement of cash flows could not be confirmed.

Emphasis of Matter

507. Material Uncertainty Related to Sustainability of Services

The financial statements indicate that the Hospital reported a deficit of Kshs.342,077 for the year under review. In addition, the Hospital's current liabilities totalling Kshs.148,808,525 exceeded its current assets totalling Kshs.46,680,060 as at 30 June, 2022, resulting in a negative working capital amounting to Kshs.102,128,465. These conditions indicate the existence of a material uncertainty, which may lead to significant doubt on the Hospital's ability to continue to sustain its services. However, this material uncertainty and any mitigating measures put in place by the Management to reverse the undesirable financial position have not been disclosed in the financial statements.

My opinion is not qualified based on the above subject matter.

Other Matter

508. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget of Kshs.116,879,512 and actual on comparable basis amount of Kshs.105,274,667, resulting in an under-funding of Kshs.11,604,845 or 10% of the budget. Similarly, the Hospital spent Kshs.88,033,470 against an approved budget of Kshs.101,499,546, resulting in an under-expenditure of Kshs.13,466,076 or 3% of the budget.

Further, the revenue budget of Kshs.116,879,512 exceeds the expenditure budget of Kshs.101,499,546, resulting in a variance of Kshs.15,379,966, an indication that the approved budget was not balanced. This was contrary to Regulation 31 of the Public Finance Management (County Governments) Regulations, 2015, which provides that unless provided otherwise in the Act, these Regulations or any other guidelines developed in furtherance of the Act or these Regulations, the following guidelines shall be observed at all times during budget formulation and approval- (c) budget revenue and expenditure appropriations shall be balanced; (e) total budget revenue shall cover total budget expenditure.

The under-funding and under-expenditure affected planned activities and may have impacted negatively on service delivery to the public. Also, Management was in breach of law.

509. Failure by the County Treasury to Remit 2020/2021 Exchequer Funds

The statement of financial position reflects receivables from non-exchange transactions balance of Kshs.12,104,845. The balance relates to accrued transfers from the County Government of Kisumu which had not been received as at the time of audit in June, 2023.

Failure by the County Government to remit funds affected planned activities for the Hospital and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

510. Lack of Statute Guiding Existence and Operation of Health Facilities

Article 2(a) of Part 2 of the Constitution of Kenya, 2010 states that ‘the functions and powers of the County are County health services, including, in particular County health facilities and pharmacies’. However, there is no Act of Parliament or County Assembly regulating or guiding the establishment and operations of health facilities in the Counties.

In the circumstances, it was not been possible to establish whether the existence and operation of the Kisumu County Referral Hospital is legal.

511. Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.148,808,525 which as disclosed in Note 33 to the financial statements includes employee dues totalling to Kshs.6,330,480 relating to wages that had been in arrears for seven months from December, 2021 to June, 2022. This was contrary to Regulation 47(1)(d) of the Public Finance Management (County Governments) Regulations, 2015, which prohibits reallocation of voted provisions from wage to non-wage expenditure. Management indicated, without providing evidence, the arrears of Kshs.6,330,480 had been paid by 12 June, 2023.

Further, the balance of Kshs.148,808,525 includes long outstanding other trade payable - historical creditors balance of Kshs.82,924,792 which had not been settled as at the time of audit in June, 2023. This was contrary to Section 74(4)(d) of the Public Finance Management Act, 2012, which states that ‘for the purposes of this section, a Public Officer or Accounting Officer engages in improper conduct in relation to a National Government entity if the officer fails, without reasonable excuse, to pay eligible and approved bills promptly in circumstances where funds are provided for’.

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

512. Failure to Meet Level 4 Hospital Requirements

According to the self-assessment questionnaire on Kenya Quality Model for Health's Checklist for Level 4 Hospitals, the Hospital did not satisfy all the requirements for a Level 4 hospital as indicated below:

	Level 4 Standard	Number in Hospital	Shortage
Medical Officers	16	4	12
Anesthesiologists	2	0	2
Radiologists	2	0	2

In addition, the Hospital lacked renal dialysis, intensive care unit and high dependency unit.

In the circumstances, the classification of the Hospital as a Level 4 Hospital could be irregular. Also, Universal Health Coverage Services may not be effectively delivered at the Hospital.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

513. Board of Management Operating After Expiry Term in Office

The Governor County Government of Kisumu appointed the Board of Management through a Gazette Notice on 11 November, 2019 for a term of three (3) years which expired in October, 2022. However, examination of Board records revealed that Board meetings were held after October, 2022 without any evidence of extension of the appointment of Board members. This was contrary to Part 1.1 (11) of the Mwongozo Code of Governance, which requires that each Board member shall be appointed through a Gazette Notice and thereafter a letter.

In the circumstances, the effectiveness and regularity of governance in the Hospital could not be confirmed.

514. Inadequacies in the Management of Property, Plant and Equipment

The Hospital did not have title deed or allotment letter for the parcel of land it occupies. Management explained that the process of acquiring title deed was ongoing. In addition, part of the land was encroached by a private school, a mosque and market kiosks.

Further, the parcel of land had not been recorded in the fixed assets register provided for audit. This was contrary to Regulation 136(2) of the Public Finance Management (County Governments) Regulations, 2015, which provides that, the register of land and buildings shall record each parcel of land and each building and the terms on which it is held, with reference to the conveyance, address, area, dates of acquisition, disposal or major

change in use, capital expenditure, lease hold terms, maintenance contracts and other pertinent management details.

In addition, the assets register did not have the assets cost, date of purchase, construction or donation, location, unique identification mark, depreciation among other details and assets in the new administration block were not tagged with unique identification marks.

In the circumstances, the effectiveness of internal controls in the management of property plant and equipment could not be confirmed.

515. Lack of Effective Controls on Cash Collections

Review of documents at the revenue collection office revealed the following anomalies:

- i. Out of the six (6) cashiers in the main cash office, three (3) were casuals while two (2) were students on attachment. Enquiries for the staff indicated that the casuals had more than 6 months' salary arrears.
- ii. Cash surrenders from various cashiers were not supported by any evidence of amount collected, surrendered and an acknowledgement by the officer in-charge.
- iii. The safe box used for safe keeping daily cash collections had a broken lock.
- iv. The cashier at the collection point did not have a ledger book to record the daily cash collections.
- v. At the cash collection office, there were no CCTV cameras to safeguard and secure the cash collected.

In the circumstances, the existence and effectiveness of the internal controls over cash collections could not be confirmed.

516. Use of Manual Accounting System

The Hospital maintained its financial records including cash book and ledgers in manual form, despite the existence of a Financial Management System (Funsoft). Management explained that the expenditure module of the system had not been procured due to lack of funds.

In the circumstances, the effectiveness of internal controls over recording of transactions in manual records could not be confirmed.

517. Poor System of Filing Documents

The Hospital had no systematic filing system for both financial and procurement records. In addition, most procurement files were still in the custody of a former officer who had left the Hospital.

In the circumstances, the existence and/ or effectiveness of internal controls over filing of documents could not be confirmed.

CHULAIMBO COUNTY HOSPITAL - COUNTY GOVERNMENT OF KISUMU

REPORT ON THE FINANCIAL STATEMENTS

Basis for Adverse Opinion

518. Variances in Transfers from the County Government

The statement of financial performance reflects transfers from the County Government totalling to Kshs.8,158,946 and as disclosed in Note 6 to the financial statements while the financial statements of the County Executive of Kisumu for the year under review reflects an amount of Kshs.5,938,946 as the transfers to Chulaimbo Sub-District Hospital resulting in an unexplained and unreconciled variance of Kshs.2,220,000.

In the circumstances, the accuracy and completeness of the transfers from the County Government amount of Kshs.8,158,946 could not be confirmed.

519. Variances between the Financial Statements and the Notes to the Financial Statements

The financial statements reflect various balances which differs with corresponding balances as disclosed in the supporting notes to the financial statements, resulting in unexplained and unreconciled variances as analyzed below:

Item	Amount as per Financial Statements (Kshs.)	Amount as per Notes to the Financial Statements (Kshs.)	Variance (Kshs.)
In-kind Contributions from the County Government	-	826,140	(826,140)
Rendering of Services-Medical Service Income	1,636,279	-	1,636,279
Medical/Clinical Costs	5,644,068	3,440,646	2,203,422
Employee Costs	714,000	1,178,400	(464,400)
Board of Management Expenses	64,947	40,000	24,947
Depreciation and Amortization	-	25,000	(25,000)
Repairs and Maintenance	657,999	394,776	263,223
General Expenses	1,750,999	2,279,446	(528,447)
Medical Services Contracts Gains/losses	-	8,110	(8,110)
Cash and Cash Equivalentents	-	1,567,704	(1,567,704)
Receivables from Non-exchange Transactions	8,238,946	8,158,946	80,000
Intangible Assets-Software	-	75,000	(75,000)
Trade and Other Payables	8,832,013	1,178,400	7,653,613

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

520. Inaccuracies in Medical Service Income

The statement of financial performance reflects rendering of services-medical service income amount of Kshs.1,636,279. However, an extract from Funsoft receipting system revealed total revenue amounts of Kshs.2,377,226 and the manual receipts revealed revenue of Kshs.241,260 all totalling to Kshs.2,618,486 resulting in an unexplained and unreconciled variance of Kshs.982,207.

In the circumstances, the accuracy and completeness of the rendering of services-medical service income amount of Kshs.1,636,279 could not be confirmed.

521. Misstatement of Employee Costs

The statement of financial performance reflects employee costs totalling to Kshs.714,000, while review of the muster roll revealed an amount of Kshs.1,193,590, resulting in an unexplained and unreconciled variance of Kshs.479,590.

In the circumstances, the accuracy and completeness of the employee costs of Kshs.714,000 could not be confirmed.

522. Inaccuracies in Board of Management Expenses

The statement of financial performance reflects Board of management expenses amount of Kshs.64,947, while payment vouchers provided for audit reflected amounts of Kshs.115,000 resulting in an unexplained variance of Kshs.50,053.

In the circumstances, the accuracy and completeness of the Board of management expenses amounting to Kshs.64,947 could not be confirmed.

523. Undisclosed Property, Plant and Equipment

The statement of financial position reflects a Nil balance in respect of property, plant and equipment. However, physical verification of the Hospital's compound and offices revealed that the Hospital owned various assets including land, buildings, motor vehicles, hospital equipment, computers and furniture and fittings. Management explained that the assets were not accounted because they had not been valued.

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

524. Unaccounted for Intangible Assets

The statement of financial position reflects a Nil balance in respect of intangible assets. However, it was noted that Funsoft system for revenue collection and Maisha Meds for medicine tracking and dispensing software had been installed in the Hospital but their value was not disclosed in the financial statements.

In the circumstances, the accuracy and completeness of the Nil balance of intangible assets could not be confirmed.

525. Unsupported Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.8,832,013, while the list of pending bills provided for audit reflected a total amount of Kshs.4,877,640, resulting in an unexplained and unreconciled variance of Kshs.3,954,373. Further, the pending bills list reflecting the balance of Kshs.4,877,640 did not have adequate details, including dates of supply and goods/ services delivered.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.8,832,013 could not be confirmed.

526. Unsupported Cash and Cash Equivalent Balance

The statement of financial position reflects Nil cash and cash equivalent balance. However, Note 27(a) to the financial statements on detailed analysis of cash and cash equivalents reflects cash and cash equivalents balance of Kshs.1,568,004 which comprises of Co-operative Bank of Kenya Ltd and Kenya Commercial Bank Ltd balances of Kshs.507,792 and Kshs.1,060,212 respectively. Further, audit verification revealed that the cash book was not updated with daily transactions. In addition, monthly bank reconciliation statements and certificates of bank balances were not provided for audit.

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

527. Undisclosed Inventory Balance

The statement of financial position reflects a Nil balance in respect of inventories. However, audit examination of stock control cards revealed closing balances of various pharmaceutical and non-pharmaceutical stocks as at 30 June, 2022. Further, no evidence was provided to confirm that annual stock take was carried out at the end of the year.

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

528. Inaccuracies in the Statement of Cash Flows

The statement of cash flows reflects net cash flows from operating activities amount of Kshs.1,060,212, which differs with the re-computed amount of Kshs.1,061,212, resulting in an unexplained variance of Kshs.1,000. Further, the recomputed amount of Kshs.1,061,212 differs with a corresponding Nil amount reflected in the supporting Note 41 to the financial statements, resulting in an unexplained and unreconciled variance of Kshs.1,061,212.

In addition, the statement reflects a Nil net increase/(decrease) in cash and cash equivalents which differs with the re-computed amount of Kshs.1,061,212, resulting in an unexplained variance of Kshs.1,061,212.

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

529. Inaccuracies in the Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects Nil amount of actual on comparable basis for both income and total expenditure, while the statement of financial performance reflects corresponding amounts of Kshs.9,893,225 and Kshs.8,832,013, resulting in an unexplained and unreconciled variances of Kshs.9,893,225 and Kshs.8,832,013 respectively. Further, the statement reflects surplus for the period budget amount of Kshs.1,060,212 which differs with the re-computed amount of Kshs.1,126,159, resulting in an unexplained or unreconciled variance of Kshs.65,947.

In addition, the statement reflects percentages of utilization (% of utilization) of 100% against all amounts, while re-computation reflects 0%, resulting in unexplained variances of 100%.

In the circumstances, the accuracy and completeness of the statement of comparison of budget and actual amounts could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

530. Anomalies in the Management of Fixed Assets

The assets register did not include a 5-acre parcel of land and two (2) motor vehicles and all buildings within the compound, Further, the assets register did not include cost of assets, depreciation charge and net book values, dates of purchase and unique identification marks. This was contrary to Section 136(2) of the Public Finance Management Act, 2012, which provides that the register of land and buildings shall record each parcel of land and each building and the terms on which it is held, with reference to the conveyance, address, area, dates of acquisition, disposal or major change in use, capital expenditure, lease hold terms, maintenance contracts and other pertinent management details.

Further, the 5-acre parcel of land on which the Hospital sits was donated by the community. However, the title has not been transferred to the name of the Hospital.

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

531. Infringement of Casual Workers' Rights

According to the Muster Roll provided for audit, most of the Hospital's employees worked every day for the entire year without going on leave, contrary to Regulation 11(5) of the Regulation of Wages (General) Orders on hours of work, which states that, the normal working week shall consist of forty-four hours of work spread over six days of the week, comprising five days of eight hours of work per day and one day of four hours of work, provided that- (i) in the case of day security staff the normal working week shall be

fifty-two hours of work spread over six days of the week; and (ii) in the case of night security staff, the normal working week shall be five shifts of twelve hours each.

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

532. Underpayment of Casual Labourers

The statement of financial performance reflects employee costs totalling to Kshs.714,000. However, review of records relating to the expenditure revealed that the casuals were paid monthly wage ranging from Kshs.2,520 to Kshs.9,000 against the recommended minimum wage of Kshs.13,573 for general casuals as per the Kenya Gazette Supplement No. 1 dated 8 January, 2019.

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

533. Incomplete Projects

Physical verification of the Hospital's projects revealed that the construction of a maternity theatre had stalled at the finishing level with no contractor on site. Further, details of the project, including procurement documents and payments on the contract were not provided for audit.

In the circumstances, value for money on expenditure incurred in the construction of the maternity theatre could not be confirmed.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

534. Manual Accounting Records

It was observed that the Hospital maintained its financial records including cash book and ledgers in manual form despite the existence of Funsoft system. No explanation was provided to justify why the financial transactions are not maintained through Funsoft. The trial balance and general ledgers in support of the financial statements were not provided for audit verification.

In the circumstances, the manual records may have errors of omission and commission.

535. Weaknesses in Revenue Collection System

Review of the revenue collection system revealed that the Hospital had not fully embraced Mpesa receipting, the cashier doubled as the billing clerk; and no evidence of daily reconciliations of revenue collected in Funsoft against Mpesa transactions was provided for audit.

In the circumstances, the existence and effectiveness of internal controls over revenue collection could not be confirmed.

536. Weak Controls in Inventory Management

Review of the Hospital's inventory management system revealed the following weaknesses:

- i. The Hospital had different stores for each department, manned by user departments.
- ii. The same officer in charge of a store requisitioned for stores, made issuance, utilized the stores, maintained stores records and carried out stock take with no evidence of checks and balances.
- iii. The stores were manned by staff with no evidence of technical training in stores management.
- iv. The access to the stores was not properly controlled such that the keys to the pharmaceutical stores were kept at a place where any staff could access, the keys to the food store were kept by a casual who was in charge and there was no proper handover/takeover of keys in case the in-charge was not present.
- v. Information provided indicated that when the storekeeper was away, other staff operated the store without evidence of any documented handing or taking over.
- vi. No evidence was provided to show that stock take was carried out at year end.

In the circumstances, the existence and effectiveness of internal controls over inventory management could not be confirmed.

537. Irregular Board Meeting

The Governor of Kisumu County appointed the Board of Management through a Gazette Notice on 11 October, 2019 for a term of three (3) years which expired in October, 2022. However, review of Board files revealed that Board meetings were held after the expiry date without any evidence of extension of their appointment, contrary to Section 1.1 (11) of the Mwongozo Code of Governance which states that 'each Board member shall be appointed through a gazette notice and thereafter a letter'.

In the circumstances, the Hospital may have been governed by a Board that was irregularly in office.

538. Weaknesses in the Filing System

The Hospital did not have a systematic filing system for both financial and procurement records. It was difficult to retrieve information for audit purposes. In addition, most procurement files were still in custody of a former officer.

In the circumstances, the effectiveness of the internal controls on the filing system could not be confirmed.

539. Failure to Meet Level 4 Hospital Requirements

Review of documents revealed that the Hospital had only seven (7) medical staff against the minimum requirement of seventy-five for a Level 4 hospital. Further, the Hospital

lacked the vital services such as surgical unit; renal dialysis; intensive care unit; high dependency unit; mortuary and autopsy services; caesarian sections and surgical operations; advanced life support; theatre; and functional incinerator.

In the circumstances, the Hospital may not effectively deliver universal health coverage to the public.

NYAKACH COUNTY HOSPITAL - COUNTY GOVERNMENT OF KISUMU

REPORT ON THE FINANCIAL STATEMENTS

Basis for Adverse Opinion

540. Non-Compliance with the Public Sector Accounting Standards Board (PSASB) Reporting Requirements

Review of the annual report and financial statements revealed the following anomalies on presentation and disclosure:

- i. Pages 6 and 7 of the financial statements do not include members' passport size photos, key qualifications and work experience as required by the template.
- ii. There is no disclosure on transactions with related parties in Note 24 to the financial statements.

In the circumstances, the preparation and presentation of the annual reports and financial statements do not comply with the format prescribed by the Public Sector Accounting Standards Board.

541. Unaccounted for Assets

The statement of financial position reflects Nil balances in respect of property, plant and equipment, intangible assets, investment, property and inventory. However, review of records revealed that the Hospital had assets including fixed assets, intangible assets and inventories as at 30 June, 2022 of undetermined values which were not recognized in the financial statements.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

542. Unreconciled Variances in Transfers from County Government

The statement of financial performance reflects transfers from the County Government amount of Kshs.8,073,241 which is at variance with the balance of Kshs.5,576,651 reflected as transfers in the Kisumu County's Executive financial statements resulting in an unexplained variance of Kshs.2,496,590.

In the circumstances, the accuracy and completeness of transfers from the County Government amount of Kshs.8,073,241 could not be confirmed.

543. Misstatement of Trade Payables

The statement of financial position reflects trade and other payables balance of Kshs.2,450,775 and, as disclosed in Note 34 to the financial statements. However, review

of the supporting schedules for trade payables revealed that the balance included outstanding bills amounting to Kshs.1,783,740.

In the circumstances, the accuracy of the trade and other payables balance of Kshs.2,450,775 could not be confirmed.

544. Unsupported Bank Balance

The statement of financial position reflects cash and cash equivalents balance of Kshs.1,723,410 which, as disclosed in Note 27(a) to the financial statements, comprises balances of Kshs.1,556,612 and Kshs.166,798 held in two (2) local banks. However, the balances were not supported with bank reconciliation statements. In addition, the certificate of balance for one of the bank accounts reflected a balance of Kshs.1,543,672, while the bank statement reflected a balance of Kshs.1,556,613, resulting in an unexplained variance of Kshs.12,941.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.1,723,410 could not be confirmed.

545. Unsupported Rendering of Services-Medical Service Income Amount

The statement of financial performance reflects rendering of services-medical service income of Kshs.4,035,976. However, the supporting schedules provided for audit reflect total income from rendering of services-medical service care of Kshs.3,067,789 resulting in an unreconciled variance of Kshs.968,187.

In the circumstances, the accuracy and completeness of rendering of services-medical service income of Kshs.4,035,976 could not be confirmed.

546. Variances Between the Financial Statements and Supporting Schedules

The statement of financial performance reflects medical costs and general expenses items disclosed in Notes 15 and Note 21 to the financial statements which are at variance with their supporting schedules as listed below.

Component	Amount as per Statement of Receipts and Payments	Amount as per Supporting Schedules	Variance
	(Kshs.)	(Kshs.)	(Kshs.)
Food and Ration	1,366,016	1,341,016	25,000
Dressing and Non-Pharmaceuticals	352,360	317,950	34,410
Sanitary and Cleansing	168,530	155,230	13,300
Refined Fuels and Lubricant	381,458	381,263	195
Bank Charges	3,821	0	3,821
Contracted Service	204,000	408,000	(204,000)
Other Fuels	320,800	390,800	(70,000)

Component	Amount as per Statement of Receipts and Payments	Amount as per Supporting Schedules	Variance
	(Kshs.)	(Kshs.)	(Kshs.)
Travel and Accommodation	0	174,300	(174,300)
General Office Supplies	209,500	49,300	160,200
Printing and Stationery	179,250	0	179,250
Telephone and Mobile Phone Services	63,000	0	63,000

In addition, the statement of financial performance reflects transfers to other Government entities-MOH Office amount of Kshs.500,000, while the supporting Note 20 to the financial statements reflects Nil amount, resulting in an unexplained variance of Kshs.500,000.

In the circumstances, the accuracy and completeness of medical costs and general expenses could not be confirmed.

547. Inaccuracies in the Statement of Financial Position

The statement of financial position reflects total net assets and liabilities amount of Kshs.7,041,882 while the re-computed balance amounts to Kshs.6,346,952, resulting in an unexplained variance of Kshs.694,930. Further, the statement reflects total assets balance of Kshs.5,596,480 while with the re-computed total net assets and liabilities balance is Kshs.6,346,952, resulting in a variance of Kshs.750,472 and an unbalanced statement of financial position.

In the circumstances, the accuracy and completeness of the statement of financial position could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

548. Incomplete Assets Register

Review of the Hospital's asset register revealed that details of three (3) motor vehicles, all buildings and four (4) of the seven (7) parcels of land occupied by the Hospital were not recorded in the assets register. This was contrary to Regulation 136(2) of the Public Finance Management (County Governments) Regulations, 2015, which provides that, 'the register of land and buildings shall record each parcel of land and each building and the terms on which it is held.

Further, the Hospital did not have ownership documents for six (6) parcels of land and other assets were not tagged with unique identification codes. In addition, available Information indicates that the ownership of one (1) parcel of land was disputed by the community.

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

549. Irregular Management of Imprests

Review of imprest records revealed that the Hospital did not maintain an imprest register, as required by Regulation 93(4)(c) of the Public Finance Management (County Governments) Regulations, 2015 which stipulates that 'before issuing temporary imprests under paragraph (2), the Accounting Officer shall ensure that the applicant imprest has been recorded in the imprest register including the amount applied for'. Further, it was noted that imprest was issued to an officer on behalf of other staff, contrary to Regulation 91(2), which requires an officer authorized to hold and operate an imprest to make formal application for the imprest through an imprest warrant.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

550. Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kes.4,450,775 out of which balances amounting to Kshs.1,244,375 are long outstanding with some relating to the year 2020 and earlier years.

In the circumstances, Management controls over payables may not be effective and the Hospital risks legal suits from unpaid suppliers.

551. Control Weaknesses in Revenue Collection System

The Hospital maintains its financial records including cash book and ledgers in manual form despite having a financial management system (Funsoft). Further, review of the revenue collection system revealed that the cashier was also the billing clerk and there was no evidence of daily reconciliation between the revenue recorded in the financial information system and Mpesa statement transactions while the Mpesa password was still in possession of the former hospital administrator.

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

552. Weak Controls in Inventory Management

Review of the Hospital's inventory system revealed several weaknesses which included; the lack of technical training for the clerical officer managing the store, the absence of role segregation resulting in lack of checks and balances in stock management, a non-automated store system compared to the automated pharmacy.

Further, there was inadequate access control and security measures in the store area, absence of documented handovers when the storekeeper was absent. In addition, there was no evidence that an end of year stock take was carried out.

In the circumstances, the existence of effective of internal controls over inventories could not be confirmed.

553. Weaknesses in the Filing System

The Hospital did not have a systematic filing system for both financial and procurement records. Consequently, it was not possible to retrieve information for audit purposes.

In the circumstances, effectiveness and efficiency of the filing system could not be confirmed.

554. Failure to Meet Level 4 Hospital Requirements

Review of records and physical inspection of medical equipment available at the facility revealed that the facility only had twenty-two (22) members of staff against the seventy-five (75) various medical professionals required as per Kenya Quality Model for Health. Further, the Hospital does not offer all services required of a Level 4 hospital such as surgical unit; renal dialysis; intensive care unit; high dependency units while the x-ray and ultrasound machines had broken down. In addition, the Hospital had no procurement officer nor an accountant. The hospital administrator doubled up as the procurement officer.

In the circumstances, Universal Health Coverage services may not be effectively delivered by the Hospital.

AHERO COUNTY HOSPITAL - COUNTY GOVERNMENT OF KISUMU

REPORT ON THE FINANCIAL STATEMENTS

Basis for Disclaimer of Opinion

555. Non-Compliance with the Prescribed Financial Reporting Requirements

Review of the annual report and financial statements revealed that Management did not comply with the reporting template for levels 4 and 5 hospitals, issued in June, 2022, by the Public Sector Accounting Standards Board as highlighted below:

- i. The statement of changes in net assets has no balances. In addition, the statement of financial performance reflects rendering of services-medical service income of Kshs.11,849,160 which, as disclosed in Note 2 to the financial statements, is classified under one item called Combined Medical Service Income. This was contrary to the reporting template, which requires medical service income to be apportioned among the various chart of accounts.
- ii. The financial statements do not include notes on significant accounting policies.

Therefore, Management was in breach of Section 164(1) of the Public Finance Management Act, 2012, which requires accounting officer of a county government entity to prepare financial statements of the entity in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time.

In the circumstances, the presentation and disclosures in the financial statements do not comply with the accounting standards as prescribed by the Public Sector Accounting Standards Board.

556. Lack of Trial Balance

Management did not provide the trial balance used to prepare the financial statements for audit. This was contrary to Section 164(1) of the Public Finance Management Act, 2012, which requires the accounting officer of a county government entity to prepare financial statements of the entity in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

557. Revenue

The statement of financial performance reflects total revenue of Kshs.23,797,341. The amount includes transfers from the County Government amount of Kshs.11,948,181. The following unsatisfactory matters were noted:

557.1 Inaccuracies in Revenue

The statement of financial performance reflects transfers from the County Government of Kshs.11,948,180 while the financial statements of County Executive of Kisumu reflected transfers to the Hospital amounting to Kshs.9,568,181 resulting in an unexplained variance of Kshs.2,379,999. Further, the Hospital received a grant of Kshs.1,620,000 from a Foundation through a commercial bank account which was not disclosed in the statement of financial performance.

In addition, the statement of cash flows reflects rendering of services-medical service income of Kshs.6,160,460 which differs with the unsupported amount reflected in the statement of financial performance of Kshs.11,849,160 resulting in an unreconciled and unexplained variance of Kshs.5,688,700.

557.2 Income Received in Enterprise Resource Planning System (ERP)

During the year, the cash income of Kshs.6,160,460 collected differs with an amount of Kshs.749,697 recorded in the Enterprise Resource Planning system (ERP), resulting in an unreconciled variance of Kshs.5,410,763.

Further, it was noted that during the year under review, the Hospital collected revenue in form of cash payments which were receipted in a web-based ERP. The monies would then be deposited in the County Revenue Fund bank account after which the Hospital was given a receipt by the County Government, Directorate of Revenue. The Management explained that the system would crash often. However, no explanation was given on how revenue was collected in the event of system failure.

In the circumstances, the accuracy and completeness of revenue of Kshs.23,797,341 could not be confirmed.

558. Variances between Financial Statements Amounts and Ledger Amounts

The statement of financial performance reflects five (5) expenses which differ with corresponding ledger balances, resulting in an unreconciled variances as tabulated below:

Item	Financial Statements Amount (Kshs.)	Ledger Amount (Kshs.)	Variance (Kshs.)
Employee Cost	1,691,336	1,507,414	183,922
Board of Management Expenses	160,000	112,000	48,000
Repairs and Maintenance:			
Property-Buildings	107,500	123,700	(16,200)
Motor Vehicles	599,600	290,600	309,000
General Expenses	4,240,249	3,355,233	885,016

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

559. Inaccuracies in Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.2,528,832 which, as disclosed in Note 9(a) to the financial statements, includes Co-operative Bank Ltd Account balance of Kshs.1,535,878, being balance as per bank statement. However, the supporting bank reconciliation statement reflects an adjusted cash book balance of Kshs.1,200,948, resulting in an unsupported variance of Kshs.334,930.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.2,528,832 could not be confirmed.

560. Inaccuracies in the Statement of Cash Flows

The statement of cash flows reflects payments totalling to Kshs.15,251,640 whose supporting schedules were not provided for audit. Further, the statement reflects cash and cash equivalents balance of Kshs.2,528,832 which differs with the re-computed balance of Kshs.3,185,170, resulting in an unreconciled variance of Kshs.656,338. In addition, the re-computed balance of Kshs.3,185,170 differs with the statement of financial position cash and cash equivalents balance of Kshs.2,528,832, resulting in an unexplained variance of Kshs.656,338.

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

561. Anomalies in the Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects revenue and expenditure budget amounts totalling to Kshs.23,797,341 and Kshs.18,011,931 respectively, resulting in a budget surplus of Kshs.5,785,410. This was contrary to Regulation 31 of the Public Finance Management (County Governments) Regulations, 2015, which provides that 'unless provided otherwise in the Act, these Regulations or any other guidelines developed in furtherance of the Act or these Regulations, the following guidelines shall be observed at all times during budget formulation and approval-(c) budget revenue and expenditure appropriations shall be balanced; (e) total budget revenue shall cover total budget expenditure'.

Further, the statement reflects percentages (%) of utilization which differ with the re-computed percentages.

In addition, Management did not prepare its own budget. This was contrary to Regulation 29(1) of the Public Finance Management (County Governments) Regulations, 2015, which states that 'the accounting officer shall ensure that the draft estimates relating to her or his department are prepared in conformity with the Constitution, the Act and these Regulations'.

Further, the statement reflects utilization percentages of below 90% against rendering of services-medical service income, medical/clinical costs and repairs and maintenance. However, the reasons for the under utilizations have not been provided as budget notes.

In the circumstances, the accuracy and completeness of the budget amounts reflected in the statement of comparison of budget and actual amounts could not be confirmed.

562. Unsupported Balances in the Financial Statements

The financial statements presented for audit include unsupported balances as highlighted below:

No.	Component	Amount (Kshs.)
1	Medical/Clinical Costs	9,861,546
2	Grants and Subsidies	1,143,668
3	Repair of Medical Equipment	186,920
4	Repairs of Plant and Machinery	21,112
5	Receivables from Exchange Transactions	5,688,700

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

563. Undisclosed Balances

The statement of financial position reflects total assets balance of Kshs.8,217,532. Management did not disclose property, plant and equipment and inventory balances. However, audit inspection of the Hospital's compound and offices revealed various assets including land, buildings, motor vehicles, hospital equipment, computers and furniture and fittings as well as pharmaceutical and non-pharmaceutical items.

Further, Management did not conduct stocktakes for inventories, contrary to Section 162(1) of the Public Procurement and Asset Disposal Act, 2015. In addition, it was noted that the Hospital lacked a proper inventory management system and therefore it was not possible to ascertain how the goods in the Hospital were utilized.

In the circumstances, the accuracy and completeness of the statement of financial position could not be confirmed.

564. Non-Retention of Own Generated Revenue

The statement of financial performance reflects rendering of services-medical service income balance of Kshs.11,849,160. However, review of the cash book and receipts from the County Government revealed that the Hospital did not retain the revenue it earned from 1 January, 2022, but was still depositing funds into the County Revenue Fund as at April, 2022. This was contrary to Section 3(f) of the Kisumu County Health Facilities Improvement Fund Act, 2021 which provides that 'the object and purpose of the Act is to facilitate retention of moneys collected by public health facilities for the purpose of supporting the facilities to deliver relevant services'.

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

565. Irregularities in Procurement of Goods and Services

The statement of financial performance indicates that the Hospital spent an amount of Kshs.15,016,927 on goods and services, comprising of Kshs.9,861,546 spent on medical/clinical items, Kshs.915,132 spent on repairs and maintenance and general expense of Kshs.4,240,249 as disclosed in Notes 3, 6 and 8 to the financial statements. However, the following audit issues were noted:

565.1 Weaknesses in Procurement

The Hospital did not have a procurement plan during the year under review, despite having procured several items/services including printing and stationery, fuel and lubricants among other items. This was contrary to Regulation 114(2) of the Public Finance Management (County Governments) Regulations, 2015, which states that 'every year a procurement plan shall be prepared by Accounting Officers to form the basis for procurement activities undertaken by government entities in the fiscal year'.

Further, Management did not appoint an Inspection and Acceptance Committee to inspect goods procured before being received at the store and pre-inspection and post-inspection reports were not provided for audit. This was contrary to Section 48(3) of the Public Procurement and Asset Disposal Act, 2015.

In addition, goods were procured without requisitions from the user departments. This was contrary to Regulation 71 of the Public Procurement and Asset Disposal Regulations, 2020, which provides that (1) pursuant to Section 73 of the Act, the head of the user department shall initiate the procurement process through a requisition as per the approved procurement plan (2) The user department shall submit the requisition under paragraph (1) to the head of the procurement function for processing.

565.2 Irregular Direct Procurement of Medical/Clinical Goods and Services

The medical/clinical expenditure of Kshs.9,861,546 includes an amount of Kshs.1,906,095 spent on goods procured directly from various suppliers by issuing Local Purchase Orders directly repeated without floating quotations from the list of prequalified suppliers. This was contrary to the provisions of Section 106 of the Public procurement and Asset Disposal Act, 2015 which requires invitation of prequalified suppliers to quote for the required services or goods. In addition, Management did not provide reasons upon which it made a determination that the relevant condition set out in Section 103 of the Act had been satisfied. Further, there was no evidence that the Management reported to the Authority the direct procurement within fourteen days after the notification of the award of the contract since the values exceeded five hundred thousand shillings, contrary to the provisions of Regulation 90(1)(b) of the Public Procurement and Asset Disposal Regulations, 2020. Also, two suppliers that had not been prequalified were paid an amount of Kshs.489,875 and Kshs.394,250 for supply of medical records and patients' food respectively. As a result, it was not possible to confirm the criteria used to identify the suppliers and whether, Management considered the capacity of the suppliers to deliver goods as per the required specifications.

In the circumstances, the regularity and value for money may not have been achieved on the expenditure of Kshs.9,861,546 in respect of medical/clinical goods and services.

566. Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.3,009,972, which includes an amount of Kshs.2,257,467 that had been outstanding for more than sixty (60) days. Further, the Hospital did not pay debts on first charge basis, contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015, which states that 'debt service payments shall be a first charge on the County Revenue Fund and the Accounting Officer shall ensure this is done to the extent possible that the county government does not default on debt obligations'.

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

567. Storage of Expired Pharmaceuticals and Non-Pharmaceuticals

Physical verification conducted in the non-pharmaceutical stores revealed that three (3) boxes of ultra sound gel, six (6) boxes of catheter and three (3) boxes of hand sanitizer had already expired, but were stored together with non-expired products that were still in use. This was contrary to Guideline 5.5 of the Pharmacy and Poisons Board Guidelines for Good Distribution Practices for Pharmaceuticals, which states that, 'there should be a system to ensure stock rotation, with frequent regular checks that the system is operating correctly. Products beyond their expiry date or shelf life should be removed from usable stock and it must be ensured that they are neither sold nor supplied.'

In the circumstances, the effectiveness of the storage system of pharmaceutical and non-pharmaceutical items could not be confirmed.

568. Shortage of Essential Pharmaceuticals and Non-Pharmaceuticals

Physical verification of the pharmaceuticals/drug store and discussion with the Pharmaceutical Technologist held on 15 June, 2023 revealed shortages of essential pharmaceuticals/drugs that are frequently prescribed to patients. Some drugs were out of stock, while others were insufficient and below the designated facility levels.

In the circumstances, the Hospital may not be able to deliver safe and effective health services.

569. Irregularities in the Constitution of the Board of Management

In the Kenya Gazette Notice dated 11 October 2019, the County Executive Committee Member for Health and Sanitation, County Government of Kisumu appointed seven (7) Members of the Health Management Board for Ahero County Hospital for a term of three (3) years. However, review of the Health Management Board minutes dated 26 October, 2021 revealed that a total of ten (10) individuals attended the meeting, disregarding the gazette notice that appointed seven members, and contrary to Section 10(1) of the Kisumu County Health Facilities Improvement Fund Act, 2021, which provided that 'the Boards shall consist of a maximum of eight people'. Out of these ten

members, only three (3) were officially appointed. The Acting Chairman of the Board had also not been officially appointed by the Governor, but by the members of the committee.

Further, the Health Management Board met twice, on 26 October, 2021 and 31 January, 2022, contrary to Guideline 1.8(1) (b) of the Mwongozo Code of Governance, which stipulates that 'Board Members should meet as regularly as required and at least quarterly in order to effectively lead the organization'.

In the circumstances, Management was in breach of the law and the effectiveness of governance in the Hospital could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

570. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

571. There were no material issues relating to effectiveness of internal controls, risk management and governance.

MUHORONI COUNTY HOSPITAL - COUNTY GOVERNMENT OF KISUMU

REPORT ON THE FINANCIAL STATEMENTS

Basis for Adverse Opinion

572. Inadequate Presentation and Disclosure in the Reports and Financial Statements

Review of the annual report and financial statements revealed the following anomalies and instances of non-compliance with the reporting template for levels 4 and 5 hospitals, issued by the Public Sector Accounting Standards Board in June, 2022: -

- i. The Board of Management table at page vii did not include members' passport size photos, key qualifications and work experience as required;
- ii. The Management Team table at page viii did not include staff's passport size photos, key qualifications as required;
- iii. The statement of changes in net assets and statement of comparison of budget and actual amounts were omitted from the financial statements;
- iv. The notes' numbers indicated in the statement of financial position and Note 41 in the statement of cash flows do not match the numbers of the supporting notes to the financial statements as summarized below;

Component	Note as per the Statement of Financial Position	Note as per Respective Note(s) to the Financial Statements
Cash and Cash Equivalents	27	15 and 27 (a)
Receivables from Exchange Transactions-NHIF	28	16
Trade and Other payables	34	20
Net Cash Flows from Operating Activities	41	22

In the circumstances, the presentation and disclosures in the financial statements do not comply with the accounting standards prescribed the Public Sector Accounting Standards Board.

573. Variances between Financial Statements and Ledger/Trial Balance

Review of the financial statements reflect expenses and assets balances which differ with the revealed variances between financial statements balances and the supporting ledger schedules, resulting in unexplained variances as analyzed below: -

Description	Financial Statements Amount Kshs.	Ledger Amount Kshs.	Variance Kshs.
Transfers from County Government	6,740,426	9,790,426	3,050,000
Rendering of Services-Medical Service Income	6,404,912	1,187,035	5,217,877
Medical/ Clinical Costs	2,471,210	4,432,848	1,961,638
Employee Cost	2,414,614	1,386,700	1,027,914
Repairs and Maintenance	1,507,152	1,457,152	50,000
General Expenses	2,476,900	2,508,955	32,055
Cash and Cash Equivalents	3,790,334		3,790,334
Medical Services Receivables (Unpaid NHIF Claims)	342,070	-	342,070
Trade and Other Receivables	5,348,504	10,456,466	5,107,962

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

574. Inaccuracies in Revenue

Review of the financial records revealed the following inaccuracies: -

574.1 Variance in Transfers from the County Government

The statement of financial performance reflects transfers from the County Government amount of Kshs.6,740,426 while review of the cash book revealed receipts from the County Government amounting to Kshs.10,255,572 resulting in an unreconciled variance of Kshs.3,515,146.

In the circumstances, the accuracy and completeness of the transfers from the County Government amount of Kshs.6,740,426 could not be confirmed.

574.2 Variances in Revenue Collected

The statement of financial performance reflects rendering of services-medical service revenue and revenue from rent of facilities amounts of Kshs.6,404,912 and Kshs.60,000 respectively totalling Kshs.6,464,912. However, the revenue statement generated from the Revenue Management System used by the Hospital for collecting revenue indicated revenue amounting to Kshs.4,885,712, resulting in an unexplained variance of Kshs.1,579,200.

In the circumstances, the accuracy and completeness of the rendering of services-medical service revenue and revenue from rent of facilities amounts of Kshs.6,404,912 and Kshs.60,000 respectively totalling to Kshs.6,464,912 could not be confirmed.

574.3 Inaccuracies in Revenue from National Health Insurance Fund

The statement of financial performance reflects NHIF claims of Nil balance while Note 9 to the financial statements reflects an amount of Kshs.1,734,390, resulting in an unexplained variance of Kshs.1,734,390.

In the circumstances, the accuracy and completeness of the Nil balance in respect of NHIF claims could not be confirmed.

574.4 Unsupported Revenue from Exchange Transactions

The statement of financial performance reflects revenue from exchange transactions balance of Kshs.6,464,912. However, review of the documentation provided for audit revealed that during the year under review, Management did not retain the receipts issued by the County Treasury to acknowledge receipt of revenue remitted by the Hospital. It is therefore unclear as to how much the Hospital banked in the County Revenue Fund and the amount retained, if any.

In the circumstances, the accuracy and completeness of revenue from exchange transactions balance of Kshs.6,464,912 could not be confirmed.

575. Variances in Board of Management Expenses

The statement of financial performance reflects a Board of Management expense of Kshs.624,000, while payment vouchers show that Board members were paid a total of Kshs.652,500 during the year under review, resulting in an unexplained variance of Kshs.28,500. Further, review of minutes of the Hospital Management Board's meetings held on 8 July, 2021 and 5 October, 2021 revealed that the members deliberated and approved the budget proposed by the Hospital Management Team for amounts Kshs.200,000 and Kshs.155,500 respectively, totalling to Kshs.355,500. Therefore, the Board of Management expenses of Kshs.624,000 includes an unapproved amount of Kshs.268,500 which was not justified.

In the circumstances, the accuracy and completeness of the Board of Management expenditure of Kshs.624,000 could not be confirmed.

576. Unbalanced Statement of Financial Position

The statement of financial position reflects accumulated surplus balance of Kshs.1,216,100, while the statement of financial performance shows a surplus for the year of Kshs.3,711,462, resulting in an unexplained variance of Kshs.2,495,362. Further, the statement of financial position reflects a total net assets and liabilities negative balance of Kshs.1,216,100 which differs from the re-computed balance of Kshs.9,059,966, resulting in an unexplained variance of Kshs.10,276,066. The re-computed total net assets and liabilities balance of Kshs.9,059,966 also differs from the total assets balance of Kshs.4,132,404, resulting in a variance of Kshs.5,737,044.

In the circumstances, the accuracy and completeness of the statement of financial position could not be confirmed.

577. Inaccuracies in Cash and Cash Equivalents Balance

The statement of financial position reflects cash and cash equivalents balance of Kshs.3,790,334 which, as disclosed in Note 27(a) to the financial statements, comprises bank balance of Kshs.740,334 and 2020/2021 accrued revenue balance of Kshs.3,050,000. No explanation was provided for treating the latter amount as cash and cash equivalents and not receivables from exchange transactions. Further, the balance of Kshs.3,790,334 differs with cash and cash equivalents balance as at 30 June, 2022 of Kshs.3,711,462, resulting in an unreconciled variance of Kshs.78,872. In addition, cash book and bank reconciliation statements in support of the bank balance of Kshs.740,334 were not provided for audit.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.3,790,334 could not be confirmed.

578. Inaccuracies in Statement of Cash Flows

The statement of cash flows reflects net cash flows from operating activities amount of Kshs.3,711,462 while the supporting Note 22 to the financial statements reflects Nil amount resulting in an unexplained variance of Kshs.3,711,462.

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

579. Non-Disclosure of Inventories

The statement of financial position reflects Nil balance against inventories, despite the fact that a hospital is expected to have inventories in form of pharmaceutical and non-pharmaceutical items at any one given time. No satisfactory explanation was provided for the omission. Further, no inventory valuation report was provided for audit to show how Management arrived at the reported Nil inventories balance.

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

580. Unaccounted for Property, Plant and Equipment

The statement of financial position reflects Nil balance in respect of property, plant and equipment. However, audit inspection of the Hospital premises and offices revealed various assets of undetermined value including land, buildings, motor vehicles, hospital equipment, computers and furniture and fittings.

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

581. Unsupported Amounts in the Financial Statements

Review of the financial records revealed that various reported amounts were not adequately supported as indicated below: -

581.1 Unsupported Expenditure from Authorities to Incur Expenditure

The statement of financial performance reflects total expenses of Kshs.9,493,876. However, payment vouchers and related supporting documents in support of expenditure of Kshs.544,580 from Authorities to Incur Expenditure (AIEs) were not provided for audit.

In the circumstances, the occurrence and regularity of the expenditure of Kshs.544,580 could not be confirmed.

581.2 Unsupported Expenditure on Repairs and Maintenance

The statement of financial performance reflects repairs and maintenance amount of Kshs.1,507,152. Review of records provided for audit revealed that an amount of Kshs.1,457,152 was spent on casuals who were issued with temporary imprests for repairs and maintenance. However, the surrender vouchers and other supporting documents, such as imprest warrants and receipts were not provided for audit.

In the circumstances, the accuracy, completeness, and regularity of the repairs and maintenance expenditure of Kshs.1,457,152 could not be confirmed.

581.3 Unsupported Pending Claims Receivable from NHIF

The statement of financial position reflects receivables from exchange transactions balance of Kshs.342,070 which, as disclosed in Note 28 to the financial statements, relates to medical services receivable (Unpaid NHIF Claims). However, the ledger schedule and other requisite documentation supporting the balance were not provided for audit.

In the circumstances, the accuracy, completeness and existence of the receivables from exchange transactions balance of Kshs.342,070 could not be confirmed.

581.4 Irregular and Unsupported Payment of Salaries to Casuals

The statement of financial performance reflects employee costs of Kshs.2,414,614 which includes wages for casuals amounting to Kshs.1,267,700 paid without following the necessary processes, including validation, authorization and raising payment vouchers. Further, examination of cash book revealed that the payments were made in bulk, which included pending salaries not paid for previous months. As a result, it was difficult to carry out the following tests: validation of payroll; confirming the transactions posted in the payroll ledger accounts against the total payroll expenses for the period; and verifying reconciliation of bank remittances and cash payment amounts with the totals shown on the payroll register.

In the circumstances, the accuracy, completeness and regularity of the expenditure of Kshs.1,267,700 on casuals could not be confirmed.

582. Unsupported Trade Payables Balance

The statement of financial position reflects trade and other payables balance of Kshs.5,348,504 which, as disclosed in Note 20 to the financial statements, which differs with the balance of Kshs.10,456,466 reflected in the supporting schedule, resulting in a variance of Kshs.5,107,962. In addition, the supporting aging analysis was not provided for audit. Further, the latter balance includes pending bills amounting to Kshs.8,273,787 whose supporting documents, including quotations, invoices, delivery notes, counter receipt vouchers (Form S.13), and counter requisition and issue vouchers (Form S.11) were not provided for audit.

In the circumstances, the accuracy, completeness and existence of the other payables balance of Kshs.5,348,504 could not be confirmed.

583. Unsupported Adjustments in Financial Statement Balances

Review of the original financial statements submitted for audit and the amended ones revealed the following adjustments in balances whose supporting journal entries were not provided for audit: -

Item	Amended Financial Statements Amount	Original Financial Statements Amount	Adjustment
	Kshs.	Kshs.	Kshs.
Revenues			
Transfers from County Government	6,740,426	9,790,426	(3,050,000)
Rendering of Services-Medical Service Income	6,404,912	942,000	5,462,912
Expenses			
Medical/ Clinical Costs	2,471,210	4,432,848	(1,961,638)
Employee Cost	2,414,614	1,576,580	838,034
Board of Management Expenses	624,000	400,000	224,000
Repairs and Maintenance	1,507,152	2,078,355	(571,203)
General Expenses	2,476,900	1,990,117	486,783
Assets			
Cash and Cash Equivalents	3,790,334	740,334	3,050,000
Medical Services Receivables (Unpaid NHIF Claims)	342,070	2,497,500	(2,155,430)
Liabilities			
Trade and Other Receivables	5,348,504	11,058,366	(5,709,862)

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

584. Non-Compliance with Law on Budget Preparation

Information provided for audit indicated that the budget process started when the Hospital received money from the County Treasury. This is contrary to Regulation 30(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the budget preparation process for the following financial year to start not later than the 30th August of the current financial year.

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

585. Non-Compliance with Law on Cash Flow Planning

During the year under review, the Hospital Management did not prepare and submit an annual cash flow plan and forecasts to the County Treasury. This was contrary to Section 120(2) of the Public Finance Management Act, 2012 which requires every county government entity to submit an annual cash flow plan and forecasts to the County Treasury in a form and manner directed by County Treasury.

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

586. Irregular Procurement of Medical/Clinical Goods and Services

The statement of financial performance reflects medical/clinical costs of Kshs.2,471,210. Examination of sampled payment records and vouchers revealed that the Management procured goods directly by issuing Local Purchase Orders to suppliers amounting to Kshs.1,732,800 without subjecting them to the procurement processes. This was contrary to Section 106 of the Public procurement and Asset Disposal Act, 2015 on prequalified listing of suppliers. Further, Management paid to individual persons who lacked registered business names an additional amount of Kshs.491,110 for supply of goods.

In the circumstances, Management was in breach of law.

587. Non-Retention of Own Generated Revenue

The statement of financial performance reflects rendering of services-medical service income balance of Kshs.6,404,912. However, review of the cash book and receipts from the County Government revealed that the Hospital did not retain the revenue it earned up to 9 May, 2022 in its Facility Improvement Fund account. This was contrary to Section 3(f) of the Kisumu County Health Facilities Improvement Fund Act, 2021 which provides that the object and purpose of the Act is to facilitate retention of moneys collected by public health facilities for the purpose of supporting the facilities to deliver relevant services.

In the circumstances, the Hospital may not be able to deliver on its mandate due to lack adequate funds to finance its operations.

588. Underpayment of Casual Workers

The statement of financial performance reflects employee costs balance of Kshs.2,414,614 which includes wages of Kshs.1,390,300 paid to casual labourers. However, review of records relating to the expenditure revealed that the casuals were paid monthly wage of Kshs.6,400, Kshs.6,500, Kshs.7,100, Kshs.8,000, Kshs.8,200 and Kshs.11,200 against the recommended minimum wage of Kshs.13,573 for general casuals as per the Kenya Gazette Supplement No. 1 dated 8 January, 2019. As a result, the payments of Kshs.1,390,300 was below the recommended minimum wage amounting to Kshs.2,673,881, resulting in underpayments to casuals totalling to Kshs.1,283,581.

In the circumstances, Management was in breach of the law and the Hospital risks legal action for payment of wages below the recommended rates.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

589. Internal Controls Weaknesses Related to Payments

Examination of payment vouchers revealed that the vouchers were not serially numbered, examined and authorized. Further, the dates the vouchers were posted in the cashbook were not indicated.

In the circumstances, the effectiveness of internal controls over payments could not be confirmed.

HOMA BAY COUNTY TEACHING AND REFERRAL HOSPITAL – COUNTY GOVERNMENT OF HOMA BAY

REPORT ON THE FINANCIAL STATEMENTS

Unqualified Opinion

590. There were no material issues noted during the audit of the financial statements.

Other Matter

591. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a final budget revenue of Kshs.135,921,955 and actual on comparable basis of Kshs.105,864,785 resulting in under-funding of Kshs.30,057,170 or 22% of the budget. Similarly, the statement reflects actual expenditure of Kshs.85,748,056 against approved budget of Kshs.135,921,955 resulting in under-performance of Kshs.50,173,899 or 37% of the budget.

The under-funding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

592. Long Outstanding Trade and Other Payables

As disclosed in Note 13 to the financial statements, the statement of financial position reflects trade and other payables balance of Kshs.83,536,298. These payables were not settled during the year under review but were carried forward to 2022/2023 financial year with some outstanding since the year 2018. This was contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015 which states that debt service payments shall be a first charge on the County Revenue Fund and the Accounting Officer shall ensure this is done to the extent possible that the County Government does not default on debt obligations.

In addition, failure to settle bills during the year to which they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent years as they form a first charge.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

593. Weaknesses in Procurement Processes

During the year under review, Management did not develop an annual procurement plan which is aligned to the annual approved budget.

In addition, procurement documents including tender/quotation opening registers/minutes, evaluation minutes certificates of professional opinions and executed contract documents were not maintained and there was no evidence of requisitions from user departments.

Further, there was no evidence of taking on charge goods purchased in the stores' ledgers, the ledger cards were not updated and re-order levels had not been established.

In the circumstances, the effectiveness of internal controls on procurement processes could not be confirmed.

594. Lack of Approved Information Technology (IT) Policy

During the year under review, Management did not have an approved IT policy and ICT steering committee to guide on procedures to follow in order to minimize risk of errors, fraud and the loss of data confidentiality, integrity and availability.

In the circumstances, internal controls on information technology could not be confirmed.

595. Ineffective Internal Audit Function

Review of the Hospital's governance system revealed that the Hospital does not have an Internal Audit Unit but relies on the services of the County Executive Internal Audit. However, there was no evidence of internal audit reports in the year.

In the circumstances, effectiveness of the internal controls, risk management and governance could not be ascertained.

RACHUONYO COUNTY HOSPITAL - COUNTY GOVERNMENT OF HOMA BAY

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

596. Inaccuracy in the Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.445,401 as disclosed in Note 16 to the financial statements. However, the bank reconciliation statement reflects negative balance of Kshs.532,536, resulting in an unexplained variance of Kshs.977,937. In addition, the bank reconciliation statement includes stale cheques of Kshs.165,000 which had not been reversed in the cash book.

Further, payments of Kshs.142,050 were not recorded in the cash book and were not supported with a detailed schedule.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.445,401 could not be confirmed.

597. Unsupported Property, Plant and Equipment

The statement of financial position reflects non-current assets balance of Kshs.130,538,016. However, Management did not provide schedules and ledgers to support this balance.

In the circumstances, the accuracy and completeness of non-current assets balance of Kshs.130,538,016 could not be confirmed.

Other Matter

598. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final budget receipts of Kshs.30,575,879 and actual on comparable basis of Kshs.17,635,933 resulting in an under collection of Kshs.12,939,946 or 42% of the budget. Similarly, the Hospital reflects budgeted expenditure of Kshs.30,788,963 and an actual on comparable basis of Kshs.30,890,963 resulting in an over-expenditure of Kshs.102,000.

The under collection affected the planned activities of the Hospital and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

599. Failure to Transfer Revenue to the County Revenue Fund

The statement of financial performance reflects revenue from exchange transactions amount of Kshs.19,097,086 being Kshs.8,698,177 on rendering of services and Kshs.10,398,909 on other income (NHIF reimbursement). However, these amounts were not paid into the County Revenue Fund. This was contrary to Section 109(2) of the Public Finance Management Act, 2012 which requires the County Treasury for each County Government to ensure that all money raised or received by or on behalf of the County Government is paid into the County Revenue Fund.

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

600. Unapproved Expenditure on Casual Wages

The statement of financial performance reflects employee costs of Kshs.3,077,536 as disclosed in Note 10 to the financial statements being wages to casual and contractual employees. However, Management did not provide the requisitions for extra personnel and subsequent approval from the County Public Service Board authorizing recruitment of temporary workers. This was contrary to Section 63(1) and (2)(a) of the County Governments Act, 2012 which empowers the County Public Service to make appointments including promotions in respect of offices in the County Public Service at the request of the relevant County Chief Officer of the department to which the appointment is to be made.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis of Conclusion

601. Weaknesses in Procurement Processes

During the year under review, Management did not develop an annual procurement plan which is aligned to the annual approved budget.

In addition, there was no evidence of requisitions from user departments and procurement documents including tender/quotation opening registers/minutes, evaluation minutes certificates of professional opinions and executed contract documents were not maintained.

Further, there was no evidence of taking on charge goods purchased in the stores' ledgers, the ledger cards were not updated and re-order levels had not been established.

In the circumstances, the effectiveness of internal controls on procurement processes could not be confirmed.

602. Lack of Approved Information Technology (IT) Policy

During the year under review, Management did not have an approved IT policy and ICT steering committee to guide on procedures to follow in order to minimize risk of errors, fraud and the loss of data confidentiality, integrity and availability.

In the circumstances, internal controls on information technology could not be confirmed.

603. Ineffective Internal Audit and Audit Committee Function

Review of the Hospital's governance system revealed that it relies on the internal audit unit of the County Executive and its Management Board has not constituted an audit and risk management committee. In addition, the internal audit department did not submit any audit report on the operations of the Hospital to the Management during the year under review.

In the circumstances, the effectiveness of internal controls and risk management could not be confirmed.

604. Lack of an Asset Register

Audit review revealed that Management did not maintain a fixed asset register indicating asset identification or serial numbers, acquisition date, description of asset, location, class and cost of acquisition. In addition, the land and building register should have a recording of each parcel of land and the terms on which it is held, with reference to the conveyance, address, area, dates of acquisition, disposal or major change in use, capital expenditure, leasehold terms, maintenance contracts among others. Further, the assets were not coded or tagged for ease of identification and tracking and the fixed assets were not physically inspected on a regular basis to establish their conditions. Also, Management had not established policies and procedures on assets management.

In the circumstances, effectiveness of internal controls on fixed assets could not be confirmed.

SUBA SUB-COUNTY HOSPITAL - COUNTY GOVERNMENT OF HOMA BAY

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

605. Misstatement of Other Income

The statement of financial performance reflects other receipts of Kshs.14,580,652 as disclosed in Note 8 to the financial statements while the supporting schedules reflect Kshs.13,761,060 resulting in an unexplained variance of Kshs.819,592.

In the circumstances, the accuracy and completeness of the other receipts of Kshs.14,580,652 could not be confirmed.

606. Unsupported Inventories

The statement of financial position reflects inventories balance of Kshs.373,671 as disclosed in Note 15 to the financial statements. However, Management did not provide board of survey/stock take report as well as the store ledgers to support the balances.

In the circumstances, the accuracy and completeness of inventories balance of Kshs.373,671 could not be confirmed.

Other Matter

607. Budgetary Control and Performance

The statement of comparison of budget and actuals amounts reflects final receipt budget of Kshs.21,201,760 and actual receipt on comparable basis of Kshs.18,056,730 resulting in a shortfall of Kshs.3,145,030. Similarly, the statement reflects final expenditure budget of Kshs.16,911,537 against the actual expenditure of Kshs.18,337,368 resulting in an over expenditure of Kshs.1,425,831.

The under-funding affected the planned activities and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

608. Failure to Transfer Own Generated Revenue to County Revenue Fund

The statement of financial performance reflects revenue from exchange transactions of Kshs.16,394,970 comprising of Kshs.1,814,318 in respect of rendering of services and Kshs.14,580,652 as other receipts as disclosed in Note 7 and 8 to the financial statements

respectively. However, audit review revealed that all the money received was not paid into the County Revenue Fund as required by Section 109(2) of the Public Finance Management Act, 2012 which requires the County Treasury for each County Government to ensure that all money raised or received by or on behalf of the County Government is paid into the County Revenue Fund.

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

609. Unapproved Expenditure on Casual Wages

The statement of financial performance reflects employee costs of Kshs.1,507,700 as disclosed in Note 10 to the financial statements being wages to casual and contractual employees. However, Management did not provide for audit review, requisitions for extra personnel and subsequent approval from the County Public Service Board authorizing recruitment of temporary workers. This was contrary to Section 63(1 & 2a) of the County Government Act, 2012 which empowers the County Public Service to make appointments including promotions in respect of offices in the County Public Service at the request of the relevant County Chief Officer of the department to which the appointment is to be made.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

610. Weak Internal Controls in Procurement Processes

Review of procurement processes revealed that the Management did not develop, approve and implement annual procurement plan that is aligned to the annual approved budget. It was also noted that there were no departmental requisitions for items prior to the commencement of procurement process. In addition, goods procured and delivered were not taken on charge in the stores ledgers, the ledger cards were not updated and re-order levels had not been established.

Further procurement documents including tender/quotation opening registers/minutes, an evaluation minutes/reports were not maintained.

In the circumstances, the effectiveness of internal controls on the procurement of goods and services could not be confirmed.

611. Lack of Information Technology Policy

Review of the Hospital's information technology systems revealed that it has in place Enterprise Resource Planning (ERP) to manage its operations. However, Management did not have an approved IT Policy for governance and management of ICT resources.

In addition, there was no ICT Steering Committee to assist in the development of ICT Policy framework to enable the Hospital to realize long-term ICT strategic goals.

In the circumstances, the effectiveness of internal controls on information technology and risk management could not be confirmed.

612. Ineffective Internal Audit Unit and Audit Committee

Review of the Hospital's governance system revealed that it relies on the internal audit unit of the County Executive and its Management Board has not constituted an Audit and Risk Management Committee. In addition, the internal audit department did not submit any internal audit report on the operations of the Hospital to the Management during the year under review.

In the circumstances, the effectiveness of internal controls and risk management could not be confirmed.

613. Lack of an Asset Register

Audit review revealed that Management did not maintain a fixed asset register indicating asset identification or serial numbers, acquisition date, description of asset, location, class and cost of acquisition. In addition, the land and building register should have record on each parcel of land and the terms on which it is held, with reference to the conveyance, address, area, dates of acquisition, disposal or major change in use, capital expenditure, leasehold terms, maintenance contracts among others.

Further, Management had not established policies and procedures on assets management. The assets were not coded or tagged for ease of identification and tracking and the fixed assets were not physically inspected on a regular basis to establish their conditions.

In the circumstances, effectiveness of internal controls on fixed assets could not be confirmed.

MIGORI COUNTY REFERRAL HOSPITAL - COUNTY GOVERNMENT OF MIGORI

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

614. Variance in Repair and Maintenance Expenses

The statement of financial performance reflects repair and maintenance expenses amount of Kshs.1,813,752 while the ledger reflects Kshs.1,636,135 resulting in unreconciled variance of Kshs.177,617.

In the circumstances, the accuracy and completeness of the repairs and maintenance expenditure of Kshs.1,813,752 could not be confirmed.

615. Variance in Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.22,163,151 as disclosed in Note 15 to the financial statements. However, the cash book, reconciliation statement and the board of survey report reflects a balance of Kshs.1,534,669 resulting in an unreconciled variance of Kshs.20,628,482.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.22,163,151 could not be confirmed.

616. Unsupported Inventories Balances

The statement of financial position reflects inventories balance of Kshs.34,523,348 as disclosed in Note 16 to the financial statements. However, the balance was not supported with schedules/ledgers and stock count reports. Further, Management did not include a summary of significant accounting policy on stock valuation.

In the circumstances, completeness and valuation of inventories balance of Kshs.34,523,348 could not be confirmed.

617. Unsupported Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.446,277,666 as disclosed in Note 17 to the financial statements. However, Management did not provide for audit verification the schedules or valuation reports indicating how the disclosed values were arrived at. In addition, Note 17 reflects net book value of Kshs.436,580,174 resulting in an unexplained variance of Kshs.9,697,492

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.446,277,666 could not be confirmed.

618. Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.8,952,668 as disclosed in Note 18 to the financial statements. However, the balance was not supported with detailed schedules and aging analysis.

In the circumstances, completeness and recoverability of trade and other payables balance of Kshs.8,952,668 could not be confirmed.

Other Matter

619. Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.120,000,000 and Kshs.87,136,100 respectively resulting in an under-funding of Kshs.32,863,900 or 27% of the budget. Similarly, the Hospital expended Kshs.65,582,228 against an approved budget of Kshs.38,800,000 resulting in unapproved over-expenditure of Kshs.26,782,228 or 69% of the budget.

The under-funding affected the planned activities and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

620. Non-Compliance on Presentation of the Financial Statements

Review of the financial statements revealed that the Report of the Board of Management was not signed by the secretary to the Board. In addition, the statement of financial performance, statement of financial position, statement of changes in net assets and statement of comparison of budget and actual amount did not indicate the pages that cover notes to the financial statements and the date of approval by the Board.

In the circumstances, the presentation of the financial statements did not comply with the Public Sector Accounting Standards Board reporting template.

621. Staff Ethnic Composition

Review of employee records revealed a workforce of seventy-three (73), out of which sixty-seven (67) are members of the dominant community. This represents 92% of the total workforce which is contrary to Section 65(1) of the County Governments Act, 2012

which require that at least thirty percent (30%) of the vacant post at entry level are filled by candidates who are not from the dominant ethnic community in the County.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

622. Weaknesses in the Revenue Automation System

Review of the ICT governance system revealed that the pharmacy, store, X-rays and NHIF departments were not automated. The ICT infrastructure are not networked and UPCs machines were faulty. In addition, there was no evidence of segregation of duties, logs were not captured, inadequate billing of services and reversal of bills without approvals. Further, the system did not generate user reports, licenses were not updated, no antivirus and physical controls in server room were inadequate.

623. Lack of Approved Staff Establishment

Audit review revealed that there was no approved staff establishment. In the absence of an approved staff establishment, the Hospital may not be able to determine the skills and optimal staffing levels required to achieve its goals and objectives.

In the circumstances, the effectiveness on internal controls on staffing could not be confirmed.

624. Lack of a Risk Management Policy

Audit review revealed that there was no approved Risk Management Policy to enable the Hospital provide a framework for the management of risk and also to increase overall awareness of risk throughout the institution. This implies that the Hospital is exposed and may not mitigate potential risks that may arise.

In the circumstances, the effectiveness of risk management could not be confirmed.

Appendix A - List of Hospitals and Audit Opinions given on their Financial Statements

1. Certificates with Unqualified/Unmodified Opinion

No.	Hospital	County	Opinion
1	Homa Bay County Teaching and Referral Hospital	Homa Bay	Unqualified
2	Kisii Teaching and Referral Hospital	Kisii	Unqualified

2. Certificates with Qualified Opinion

No.	Hospital	County	Opinion
1	Jaramogi Oginga Odinga Teaching and Referral Hospital	Kisumu	Qualified
2	Lungalunga Sub-County Hospital	Kwale	Qualified
3	Kwale Sub-County Hospital	Kwale	Qualified
4	Msambweni County Referral Hospital	Kwale	Qualified
5	Kinango Sub-County Hospital	Kwale	Qualified
6	Mwingi Hospital	Kitui	Qualified
7	Kyuso Sub-County Hospital	Kitui	Qualified
8	Zombe Hospital	Kitui	Qualified
9	Nuu Hospital	Kitui	Qualified
10	Migwani Hospital	Kitui	Qualified
11	Kauwi Hospital	Kitui	Qualified
12	Ikanga Hospital	Kitui	Qualified
13	Kitui County Referral Hospital	Kitui	Qualified
14	Kanyangi Hospital	Kitui	Qualified
15	Mutomo Hospital	Kitui	Qualified
16	Mt. Kenya Sub-County Hospital	Nyeri	Qualified
17	Othaya Sub-County Hospital	Nyeri	Qualified
18	Karatina Sub-County Hospital	Nyeri	Qualified
19	Mukurweini Sub-County Hospital	Nyeri	Qualified
20	Karatu Hospital	Kiambu	Qualified
21	Tigoni Hospital	Kiambu	Qualified

No.	Hospital	County	Opinion
22	Nyathuna Hospital	Kiambu	Qualified
23	Kihara Hospital	Kiambu	Qualified
24	Karuri Hospital	Kiambu	Qualified
25	Igegania Hospital	Kiambu	Qualified
26	Lari Hospital	Kiambu	Qualified
27	Iten County Referral Hospital	Elgeyo/Marakwet	Qualified
28	Kapsabet County Referral Hospital	Nandi	Qualified
29	Londiani Sub-County Hospital	Kericho	Qualified
30	Roret Sub-County Hospital	Kericho	Qualified
31	Sigowet Sub-County Hospital	Kericho	Qualified
32	Kapkatet Sub-County Hospital	Kericho	Qualified
33	Kericho County Referral Hospital	Kericho	Qualified
34	Fort Ternan Hospital	Kericho	Qualified
35	Longisa County Referral Hospital	Kericho	Qualified
36	Kipkelion Sub-County Hospital	Kericho	Qualified
37	Kisumu County Referral Hospital	Kisumu	Qualified
38	Rachuonyo County Hospital	Homa Bay	Qualified
39	Suba Sub-County Hospital	Homa Bay	Qualified
40	Migori County Referral Hospital	Migori	Qualified

3. Certificates with Adverse Opinion

No.	Hospital	County	Opinion
1	Nyeri Provincial General Hospital	Nyeri	Adverse
2	Thika Hospital	Nyeri	Adverse
3	Kiambu Hospital	Kiambu	Adverse
4	Tseikuru Hospital	Klitui	Adverse
5	Lusigetti Hospital	Kiambu	Adverse
6	Wangige Hospital	Kiambu	Adverse
7	Kigumo Hospital	Kiambu	Adverse
8	Ruiru Hospital	Kiambu	Adverse
9	Gatundu Hospital	Kiambu	Adverse
10	Chulaimbo County Hospital	Kisumu	Adverse
11	Nyakach County Hospital	Kisumu	Adverse
12	Muhoroni County Hospital	Kisumu	Adverse

4. Certificates with a Disclaimer of Opinion

No.	Hospital	County	Opinion
1	Mutitu Sub-County Hospital	Kitui	Disclaimer
2	Lumumba Sub-County Hospital	Kisumu	Disclaimer
3	Kombewa County Hospital	Kisumu	Disclaimer
4	Ahero County Hospital	Kisumu	Disclaimer