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REPORT

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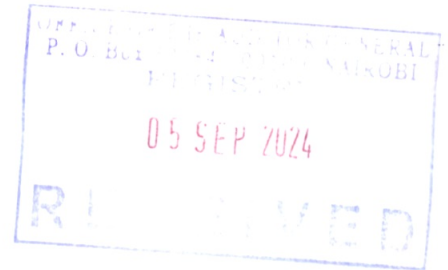
ON

CHEPTAIS LEVEL 4 HOSPITAL

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

COUNTY GOVERNMENT OF BUNGOMA

DATE 24/09/24
M.L
Abdirahman



**Cheptais Level 4 HOSPITALS
Bungoma County Government**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2022

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

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Key Entity Information and Management

(a) Background information

Cheptais sub county Hospital is a level (4) hospital established under gazette notice number 408 of 2020 and is domiciled in Bungoma County ,Cheptais sub County, under the Health Department,the hospital seats on a six acre piece of land. The hospital is governed by a Board of Management and at the facility level the Hospital Management team comprising of the departmental heads.

Vision:To be responsive and provider of quality universal health care services.

Mission:To provide high quality,equiutable ,accessible,avoidable,acceptable,curative,preventive and rehabilitative health care services through research and Technology.

Core Objectives;

Provision of health services

Ensure patient satisfaction.

Technical Health assistance to local communities.

Core Values

Professionalism

Integrity

Team spirit

Commitment

Efficiency

(b) Key Management

The hospital management is under the following key organs:

-County Department of Health

-Board of Management

-Sub County Health Management Team.

-Hospital Management Team.

-Accounting Officer/ Medical Superintendent

(c) Fiduciary Management

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

No.	Designation	Name
1.	Medical Superintendent	Janet Mosii
2.	Head of finance	Arnold Onchenku
3.	Head of supply chain	Fred Wachie
4.	Head of Administration	Mare Bernard
5.	Head of human resource	Cleophas Ekumba.

(d) Fiduciary Oversight Arrangements

-Executive Expenditure Committee

–The committee budgets for the facility before presenting to the hospital management team,for fine tuning/

Infection Prevention Committee – The committee that ensures that standard operating procedures are followed to avoid preventable hospital infections

-

Quality Improvement Committee – A committee that ensures better performance and patient outcomes include safe, effective, patient-centered, timely, efficient and equitable patient care

-

Advisory Committee – To discuss concerns which are, staff disciplinary actions, transfers

-

Waiver Committee – To discuss authenticity of any cases that requested to be waived

-

Inspection Committee – An ad- hoc, committee, To confirm that supplies which were ordered are the ones delivered, and also confirm the expiry dates of perishable products

-

Medicine and Therapeutic Committee – A committee that oversees policies and procedures related to medicines and other health products, review cases and makes recommendations..

-

Emergency Response Committee - A committee that is always on stand by ,in case of mass casualty incidence,prepare emergency trays on weekly basis and reviews hospital emergency plan on regular basis

-

Catering committee- determine quality and quantity of food in the facility.

(e) Entity Headquarters

P.O. Box 79 - 50520
CHEPTAIS
CHEPTAIS, KENYA

(f) Entity Contacts

Telephone: +254723213130
E-mail: cheptaissch@gmail.com

(g) Entity Bankers

CO-OP Bank
Kimilili Branch

(h) Independent Auditors

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

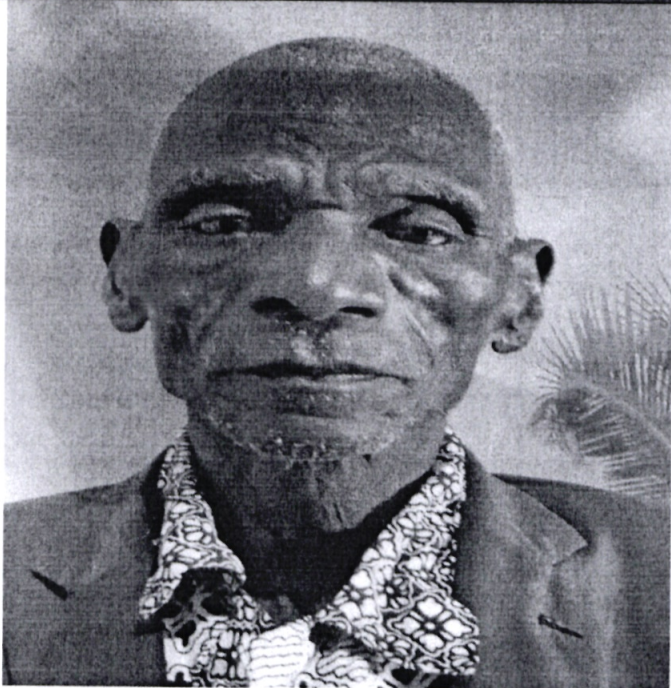
(i) Principal Legal Adviser



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



(j) County Attorney

The county attorney
County attorney
Bungoma, Kenya

2. The Board of Management

Ref	Board Members	Details
1.	 <p data-bbox="258 1064 646 1153">Mr .Samwel talian chemwotei Board chair</p>	<p data-bbox="957 660 1444 862">Diploma in education, from kenyatta university, retired high school principal, and former KNUT secretary , Mt Elgon branch</p>

<p>2.</p>	 <p>JANET CHEBET Secretary of the board</p>	<p>Holds a Bachelor degree in Health systems management, from Kenya Methodist university, and diploma in clinical medicine and surgery from Kenya medical training college. with work experience of 22 years</p>
<p>3.</p>	 <p>ERICK AJUK OLEKETE Finance committee chair</p>	<p>Academic qualification are as follows, CPE, KJSE, EACE AND EAACE. Professional qualifications are as follows P1, S1, approved graduate teacher 3, 2, 2. A graduate of music from Makerere University work experience Secretary supervisory member of Bungoma Teachers Ngarisha Sacco. Vice secretary of Western Province Sec Schools Sports Association An Executive of Western Province Music Association An Examiner of Kenya National Examinations Council</p>

4.	 <p>JEMIMA PKOMU CHAIR OF HUMAN RESOUCE</p>	Bachelor degree in education, serving teacher and political aspirant
5.	 <p>Meshack kiso Former chief Member</p>	Retired chief Member

6.




Andrew ndiwa

Represents person with special needs

Bachelors degree in mathematics and economics, from masinde muliro university

3.Management Team

Ref	Management	Details
1	 <p>Janet chebet Medical Superintendent (Bachelor Degree in Health systems management,Diploma in clinical medicine)</p>	<ul style="list-style-type: none"> • Overall CEO of the facility • Provision of visionary and transformation leadership in the management of the hospital. • oversees the implementation of Boards resolutions. • Ensures prudent management of resources. • Formulation of long term strategies and business plans participating in various committees in the Institution and overseeing all clinical services. • Accounting Officer hence a Mandatory signatory to facility account. • Secretary to the board and a Secretary to finance and general purpose subcommittee.



Bernard mare
Hospital Administrator
Degree in Social Science.
Diploma in Human Resources.
Certificate in Automotive Engineering.

In-charge of Hospital Administration

Responsibility

- Coordination of services within the hospital while liaising with fellow team members.
- Estate management in liaison with the public health officer(s).
- Supervision of non-medical staff,
- Offers secretarial duties to various committees in the establishment and
- Ensures security of staff, patients and hospital property.
- He is the alternative signatory to facility account.
- He is a Secretary to Hospital Management Team (HMT) and facility Executive Expenditure Committee (EEC).

A co-opted member of the board and finance and general purpose subcommittee.



Jacob Naibei
Nursing Officer
BSN


**In-charge of Nursing
Responsibilities:**

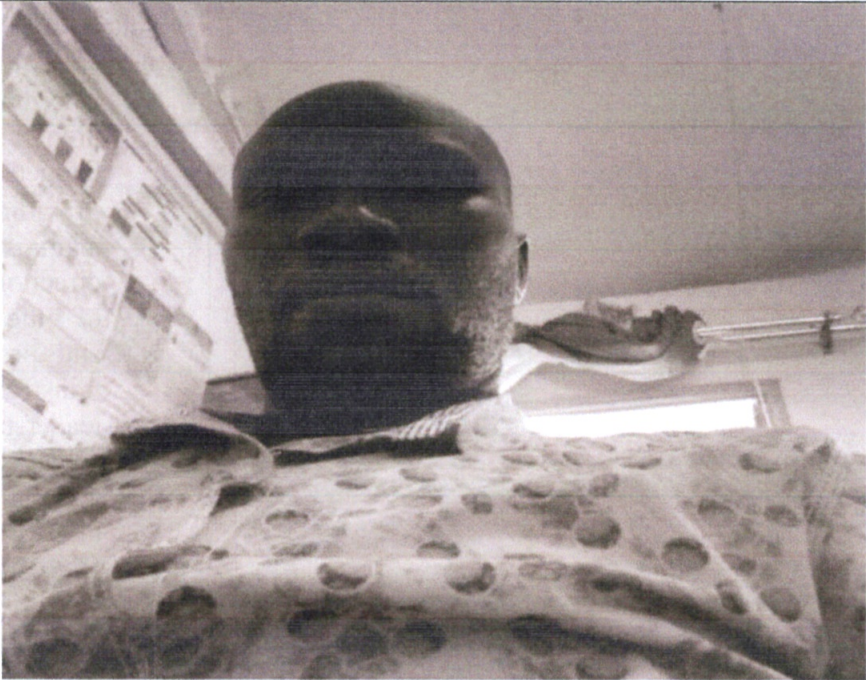

- Formulation, review and interpretation of Bungoma County Referral Hospital health care policies relating to nursing services.
- Ensuring adherence to Nursing Statutory and regulatory requirements.
- Facilitating development and review of training programs for nurses in the Hospital.
- He is also a member of the Hospital Management Team (HMT) and facility Executive Expenditure Committee (EEC).
- He is a co-opted member of the board as well as quality of care subcommittee.


3

4

**Cheptais level 4 Hospital (Bungoma County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022**

 <p>Arnold onchieku Accountant Degree in business administration [Finance] Diploma in business administration</p>	<p>In-charge of Finance Responsibilities:</p> <ul style="list-style-type: none"> • Coordinating of preparation of budgets • Providing administrative direction as head of the division and provision of transformation to leadership to achieve the vision and mandate of the Hospital. • He is an Alternate signatory to facility account. • He is also a member of the Hospital Management Team (HMT) and facility Executive Expenditure Committee (EEC). • A member of finance and general purpose subcommittee.
<p>5</p>	<p>xiii</p>

	<p>Lab manager Responsibilities:</p> <ul style="list-style-type: none"> • Coordination of Laboratory services within the facility. • Participating in developing work plans and budgets for the division and setting performance targets. • He is also a member of the Hospital Management Team (HMT) and facility Executive Expenditure Committee (EEC).
<p>Hilary chole Lab manager Diploma in Laboratory Technology</p>	
	<p>Records officer facility incharge Responsibilities:</p> <ul style="list-style-type: none"> • Compile, Organize, maintain and protect confidential medical records. • Designing health information systems to comply with medical, legal and ethical standards. • Analyse clinical data for research, processes improvement and reporting. • Participate in
<p>Dan kisongoch Health records and information officer Diploma in Health Records and information management</p>	

	<p>developing facility work and strategic plans and setting performance targets.</p> <ul style="list-style-type: none"> • Participating in various committees in the Institution. • He is also a member of the Hospital Management Team (HMT) and executive expenditure committee(EEC)
 <p>Martin barasa Pharmacy Diploma in Pharmaceutical technology.</p>	<p>Incharge pharmacy Coordinating of pharmaceutical services,pharmacy staff and students .quantification ,ordering and reporting of commodities ,ensuring of proper prescription and use of commodities</p> <p>Responsibilities:</p> <ul style="list-style-type: none"> • Ensure quality provision of effective medication services as per the needs of individual patients and institution as a whole. • Coordinating quality improvement initiatives and clinical

		<p>governance</p> <ul style="list-style-type: none">• Participating in developing work plans and budgets for the division and setting performance targets.• he is also a member of the Hospital Management Team (HMT) and facility Executive Expenditure Committee (EEC).
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4. Chairman's Statement

The Board of Management committee was made up of the following members ;

Samwel Talian Chemwotei-----	chairman
Janet chebet -----	MED/SEC
Meshack Kiso-----	Member
Erick olekete -----	Member
Jemima Pkomu-----	Member
Miriam kisebe-----	Member
Simon cheshari-----	Member

The board of management has served one ending OCT 2023, the BOM undertook its specific roles according to the given provisions

Played an effective oversight role of the facility activity

- Endeavored to improve infrastructure; construction of pit latrines, 30 bed capacity ward that was funded by Bungoma county government and theatre that was funded by Kenya pipeline
- Sensitization of the community enroll with NHIF

CHALLENGES TO BE ADDRESSED BY IN COMING COMMITTEE

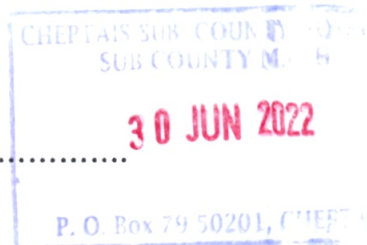
- ❖ To equip the completed theatre
- ❖ To construct additional building wards outpatient unit laboratories and eye unit
- ❖ Creation of more service units ENT/DENTAL
- ❖ Increase the work force

The committee has worked well with the facility staff ,the county and the community.

x *Samuel Chemwotei*

Samuel chemwotei

Chairman to the Board



5.Report of The Medical Superintendent

Cheptais Sub-County Hospital is a Level 4 health facility lying in 6 acre piece of land in Cheptais ward, Cheptais Sub-county. It has a catchment population of 18,059

The facility was initiated in 1976, as a community dispensary, then elevated as a health Centre in 1982, gazetted as sub county hospital, gazetted notice no.408 year 2020 the Government of Kenya

SC Hospital acts as a referral hospital for the neighboring 18 dispensaries and across border, serving populations of eastern Ugandan.

Cheptais sub county hospital has experienced an increase in patients, cumulatively 41949 patients, fy21/22, with a bed capacity of 50 this is way below infrastructure norms and standards of a sub-county hospital, expected to have a bed capacity of 150.

The overall end-point of the service delivery offered at Cheptais SC Hospital is to reduce mortality and morbidity

Projects done

- Equipping of the Hospital with furniture.
- Installation of CCTV cameras in the facility
- Purchase of computers.
- Renovation of laboratory
- Conversion of water tank to an office
- Renovations of the general ward toilet, HR office, general painting in the hospital.
- Construction of a bio digester septic tank at the theatre

Cheptais sub county hospital gets support from the County Government of Bungoma both human and capital resources. Among the support received are,

- Purchase of medical drugs and non-pharmaceuticals
Purchase of equipment, microscope, sterilizer
- Payment of casual workers
- Capacity building of staff through training
- Support supervision
- The hospital continues to benefit from Implementing partners and other Government health related sector

Kenya pipeline company, Construction of a maternity theatre, which is complete

Save the Children International, supports staff training, supervision and audits in relation to maternal and child health

Jacaranda Health , supports child and maternal health , in training staff and sending sms reminders to clients for prompt attendance of clinics Services,

DUMISHA Afya, supports HIV comprehensive care, and gender based violence (Gbv)
IPAS MATERNAL health

Afya ugavi, commodity management, supervision and mass net distribution

Impact malaria, malaria case management

Amref, supported staff training of staff, health promotive and preventive activity in the community and purchase of equipment's

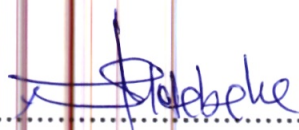
4. Other line ministries including Ministry of Education and Ministry of Interior and Coordination of National Government, Ministry of Internal Security

5. The patients and community around Cheptais sub county hospital

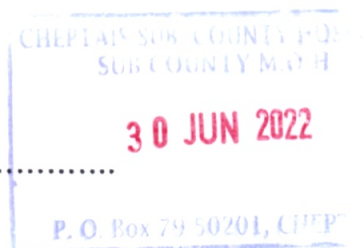
CHALLENGES WHICH NEED TO BE ADDRESSED:

Cheptais sub County has been disadvantaged for long time in terms of Health investments, especially in health workforce and infrastructure, Cheptais sub county hospital, was elevated into hospitals without the necessary the health investments. There are inadequate wards, out patients, theatre, maternity; laboratories, MCH/FP, No Eye units, laundry services, ENT units and dental units. hence hampering quality service delivery. Equipment's are vital in services delivery. There has been a disconnect in equipment upgrade with technology advancement. The sub county hospital has scarce and some equipment available are obsolete. There is inadequacy in some areas especially in radiology , Imaging, laboratory (both clinical and forensic), theatre and other point of use medical equipment. There is severe shortage in staffing a cross all cadres in numbers and specialization. Health information is key but an area that has not been fully developed to provide the necessary information. Leadership and governance also needs to be enhanced to have smooth transition.

However, there is need to revamp the health investments in the sub county to meet the increasing demand for the healthcare service



Janet mosii
Secretary to the Board



6.Statement of Performance Against Predetermined Objectives

Strategic Pillar/Theme/Issues	Objective	Indicators	Activities	Achievements
Health Service delivery	To improve on service delivery to our clients	<ul style="list-style-type: none"> ● Reduced patient waiting time ● Increased Number of patients services after 5 pm ● Number of exit surveys done ● Number of Cme and training's done ● Number of extra rooms created 	<ul style="list-style-type: none"> ● Installation of CCTV and additional consultation rooms and exit surveys to our client ● CMEsON JOB Training ● 24 hour service,lab, out patient and pharmacy 	Achieved.
Health Workforce	To assess whether the existing human resource matches the workload of the facility	- Number of health workers per 10,000 population	<ul style="list-style-type: none"> ● Motivation and appraisal of the employees ● Training and capacity building <p>Attracting and retaining employees</p>	Achieved.

Cheptais level 4 Hospital (Bungoma County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

Health Products and Technology	To ensure supply and access to essential medication	<ul style="list-style-type: none"> ● List of essential drugs available ● Numbers of days of commodity stock outs 	Strict follow up on re- order level of pharmaceuticals and non pharmaceuticals	80% Achieved.
Health Information	To ensure real time documentation and monthly data reviews.	<ul style="list-style-type: none"> ● Number of monthly data reviews done ● Number of data quality assessment done ● % of well documented reports, registers 	Support monthly data review	95% Achieved.

*Cheptais level 4 Hospital (Bungoma County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022*

Health Financing	To increase revenue through (FIF) facility improvement funds, NHIF capitation and reimbursement donations, and support from partners through proposal writing. Improve financial management as per public finance management (PFM)	<ul style="list-style-type: none"> ● % of revenue increased ● Number of people enrolled for NHIF ● Number of proposals written to partners 	Automated financial systems Encourage clients to register with NHIF	70% achieved. Automation <ul style="list-style-type: none"> ● 50% ● achieved and on going. ● 6 proposals done, 1 funded, 1 more to be funded
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*Cheptais level 4 Hospital (Bungoma County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022*

Leadership and Governannce	Give an oversight role,through management meeting,feedback appraisal.	Number of dissemination meetings,on Existence of key health sectors documents done. Number of staff done appraisal performance reviews. Number of health management and board meetings done.	HMT meeting and BOARD Meetings.	95% Achieved.
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7. Corporate Governance Statement

Number of board meetings:

Four general meetings were held, each of the subcommittees also sit once per quarter.

The meetings are attended by all members.

Sub-committees:

Finance Sub- committee
Infrastructure-sub committee
Human resource sub-committee
Service delivery-sub-committee

Board remuneration:

Chairperson - Kshs 15,000/-

Members - Kshs 10,000/-

The roles and functions of the Hospital Management Board is clarified in the guidelines
Written in "Ministry of Medical Services: Hospital Management Services Funds - Governance
Guidelines for Hospital Management Committees" (March 2011)
Process of appointment, induction, training, and conflict of interest, succession plan and
Governance audit are handled at the county level.

Management Discussion and Analysis

Financial Performance of the Hospital-Projects done

Purchase of drugs and non-pharms

Purchase of hospital equipment fridge blood bank, BP machines, nebulizer .stretchers, wheel chairs

- Purchase of the Hospital furniture.
- Installation of CCTV CAMERAS
- Purchase of computers
- Staff training (nurses, pharmacy, admin, drivers attended annual conference
- Staff motivations,
- Renovation of laboratory and creating extra rooms
- Conversion of water tank to NHIF office

- Renovations of the general ward toilet,
- Renovating HR office,
- General painting in the hospital
- Construction of a bio digester septic tank :

Ongoing Projects

-Completion of the Theatre-done by **Kenya pipeline company**.

Budgeting.

The hospital implements an approved financial year budget in its operations; the F|Y2021|2022 BUDGET figure was **Ksh 21,912,398**. Which was sourced by the hospital?

The hospital operates on the principle of prudence and as per the public finance management act 2012 and 2015 regulations

The departments who are the users always come up with budget proposals which are adopted at the hospital management team budgeting meetings done quarterly. The board of management are also required to go through the budget and the minutes of the ratified budget are taken to chief officer, health for an authority for the implementation of the same budget.

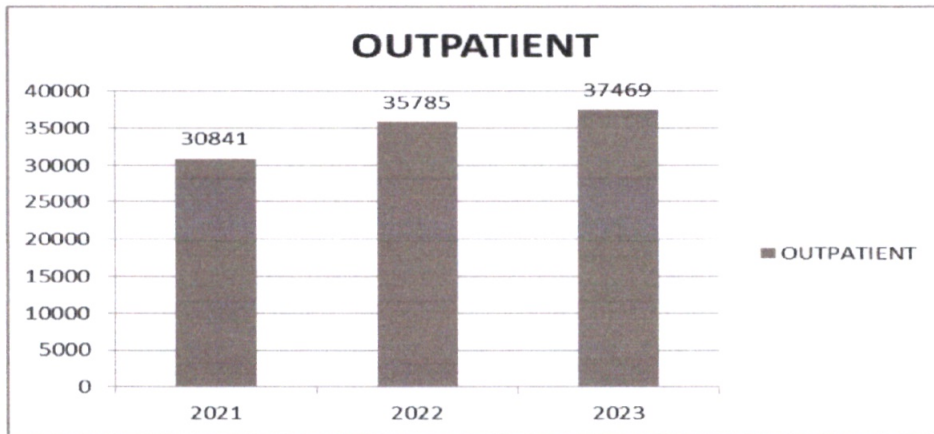
All expenditure done through the hospital operations account, whose signatories are one treasury officer, medical superintended, hospital admin, and accountant .This is in line with treasury guidelines

Clinical/operational performance

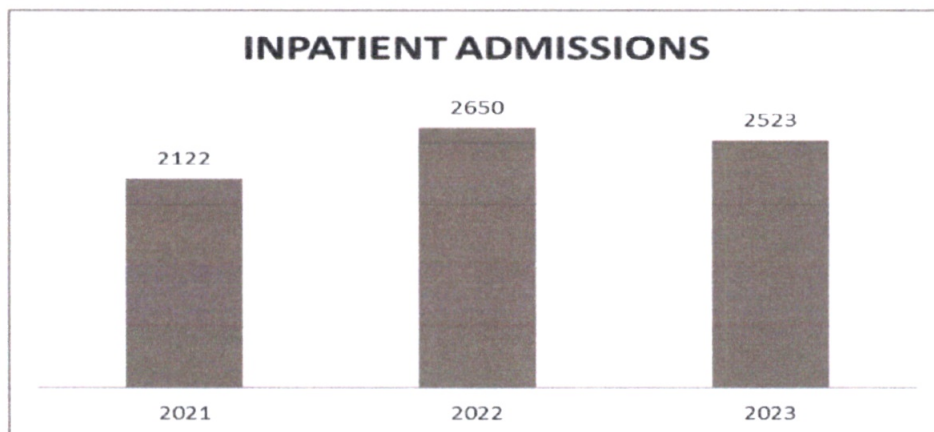
Cheptais Sub-County Hospital is a Level 4 health facility lying in 6 acre piece of land in Cheptais ward, Cheptais Sub-county. It has a catchment population of 18,059, and has a Bed capacity of 50 .Overall patient attendance during the year for both Inpatient and outpatient as follows;

- Inpatient 2532,
- outpatient. 37469.
- Specialized clinic attendance 4480
- Average length of stay for in -patient.2 days
- Bed occupancy rate 57%
- Mortality Rate 2deaths per 100
- Surgical theatre utilization (number of operations over a period of time)-only minor .

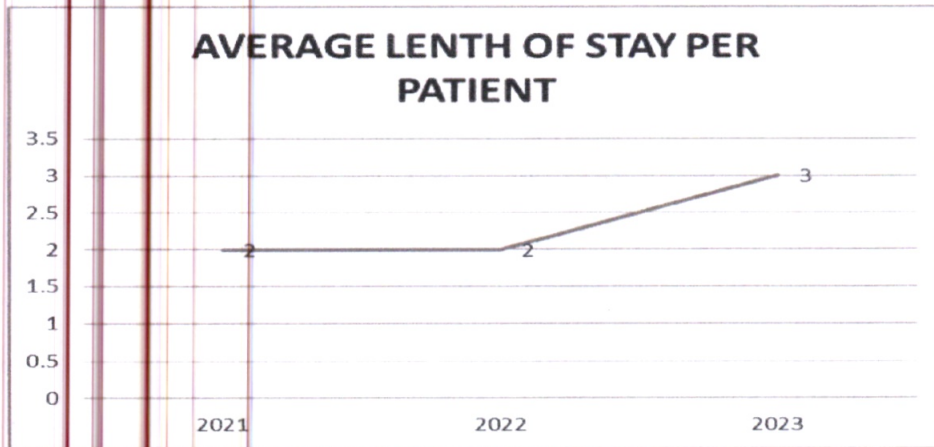
The Hospital's patient attendance analysis over the last 3years is as depicted in the graph below;



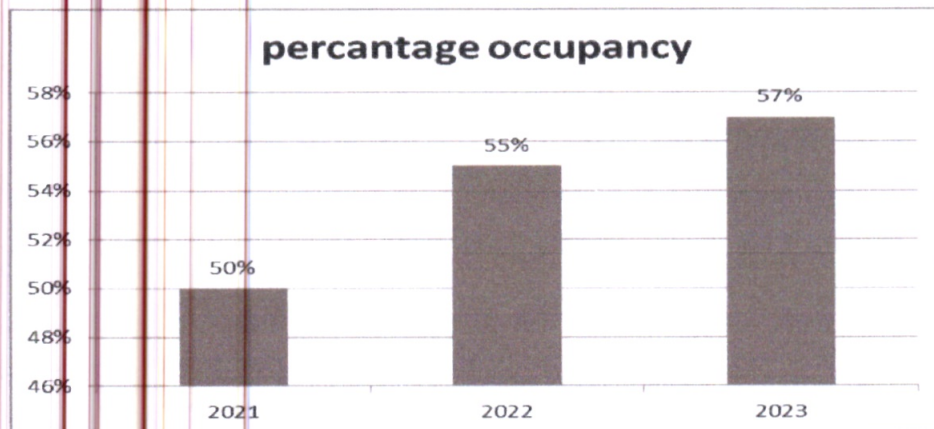
According to the table above, in the financial year 2021-2022 the hospital reported a high number of clients who came to seek for outpatient services in the facility.



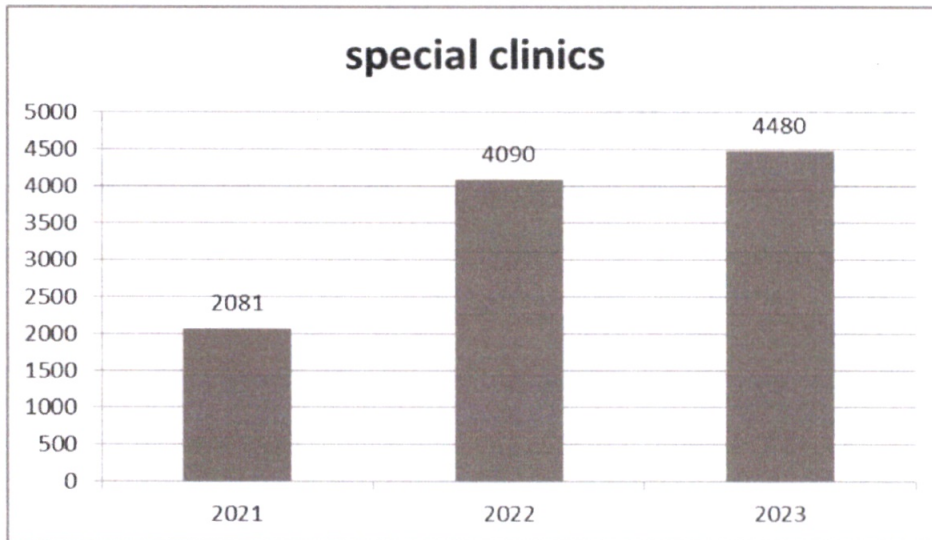
The graph shows that in the year 2022 hospital experienced high number of patient.



The above table shows that, in the financial year 2022 -2023 the average length of stay was at least 3 days per patient.



The graph shows that 55% percentage occupancy; in the year 2022, beds were utilized.



The graph shows that the number increased in the year 2023, simply means that services offered were of good quality.

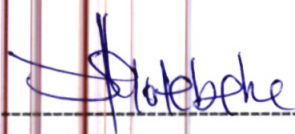


The above graph shows that the mortality rate in the year 2023 was 2 deaths per 100 population.

Revenue sources:

- Facility Improvement Fund,
- NHIF, claims from inpatient, outpatient (capitation) UHC, Linda mama and EDU Afya
- Donations-in terms of Pharmaceuticals and Non Pharmaceuticals Medical (Superintendent),

Cheptais level 4 Hospital (Bungoma County Government)
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Janet Mosii
Secretary to the Board

CHEPTAIS LEVEL 4 HOSPITAL
SUB COUNTY M.O.H
30 JUN 2022
P. O. Box 79 50701, CHEPTAI

8.Environmental And Sustainability Reporting

Cheptais sub county hospital main objective is to provide quality comprehensive quality health care services through provision of patient centred health care services, through routine data review, conducting mortality audits, managing patients complains.

Strategies to ensure available resources are sustained

- strengthen the user fees/Cost sharing.,using automated system,
- Encouraging the locals to join health insurance schemes
- Strengthen existing partners support, through proposal writing
- Encourage the trustees
- All revenue collected at facility is budgeted and spent within the hospital for facility, improvement and service delivery. We aim to ensure availability of appropriate health products and technologies, expansion of services, upgrading of amenities to improve work environment etc.

i) NO POLITICAL AFFILIATIONS

The Hospital management does not pay any allegiance or homage to any political relations. It sole mandate is on service delivery.

ii) STAFF SHORTAGES

The hospital management board and the county health executives have allowed the hospital to curb shortages of staff through hiring of staff on short term contracts. These has immensely improved service delivery.

iii) Employee welfare

The employees are mainly hired and posted by the County Public Service Board. The hospital management role is to raise concern on shortages and needs .It engages casual employees through a competitive process and puts into consideration gender ratio. The hospital management encourages and supports its staff members to train and capacity build in various courses, both technical and professional to improve service delivery. Some of the training's include Kenya School of Government leadership courses, seminars, Continuous Medical Education, and defence driving. It also recommends staff for diploma and masters programmes. There is an annual staff recognition and reward system whose main role is to reward excellence in performance. The staffs get presents, certificates, and leadership positions and get to share a meal. The facility observes the policy on safety and compliance with occupational and safety health act of 2007 (OSHA).The h ospital also observes safety and adherence to HIV Policy on

Post Exposure Prophylaxis, testing and treatment for HIV. It also adheres to the guidelines on occupational health and safety.

iv) Market place practices-

a) Responsible competition practice.

The hospital management, as a government entity it involves in fair competition and respects its competitors

b) Responsible Supply chain and supplier relation

PROCUREMENT

Most of the hospital supplies are procurable, the pool of suppliers are required to be prequalified by the county government of Bungoma

The procurement process undertaken by the hospital conforms with the public procurement and disposal act, 2015 practices.

c) Responsible market ADVERT

Monitoring and Evaluation Reviews Meetings are held occasional as planned.

Routine and continuous Audits (internal and External)

Enhance and strengthen supportive supervision

Staff motivation

Routine data quality assessment (RDQA).

Corporate Social Responsibility / Community Engagements Strategies to mobilize resources from new sources

- Market our health care services to promote health in schools, churches and other congregates.
- Written 5 proposal for funding
- Encourage cooperative world to have their social responsibility investments towards health

9. Report of The Board of Management

The Board members submit their report together with the Audited Financial Statements for the year ended June 30, 2022, which show the state of Cheptais level 4 hospital affairs.

Principal activities

The principal activities of Cheptais level 4 hospital are to be responsive and provider of quality universal health care services and to provide high quality equitable, accessible, affordable, acceptable, curative, preventive, and rehabilitative health care services through research and technology

Results

The results of Cheptais level 4 hospital for the year ended June 30 2022 are set out on pages 1 to 30

Board of Management

The members of the Board who served during the year are shown on page vi-viii. During the year, no Board member resigned.

Auditors

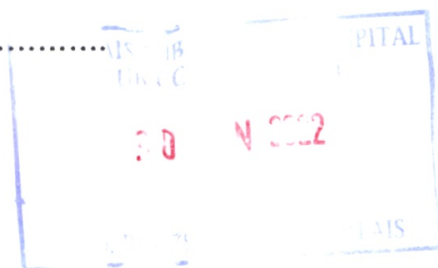
The Auditor General is responsible for the statutory audit of cheptais level 4 hospital in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 or XYZ Certified Public Accountants were nominated by the Auditor General to carry out the audit of Cheptais Sub county Hospital for the year ended June 30th 2022 in accordance to section 23 of the Public Audit Act 2015, which Empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board



Janet Mosii

Secretary to the Board



10. Statement of Board of Management's Responsibilities

Section 164 of the Public Finance Management Act, 2012) requires the Board of Management to prepare financial statements in respect of Cheptais level 4 hospital, which give a true and fair view of the state of affairs of Cheptais level 4 hospital at the end of the financial year/period and the operating results of Cheptais level 4 hospital for that year/period. The Board of Management is also required to ensure that Cheptais level 4 hospital keeps proper accounting records which disclose with reasonable accuracy the financial position of Cheptais level 4 hospitals. The council members are also responsible for safeguarding the assets of Cheptais level 4 hospitals.

The Board of Management is responsible for the preparation and presentation of Cheptais level 4 hospital's financial statements, which give a true and fair view of the state of affairs of Cheptais level 4 hospital for and as at the end of the financial year (period) ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of Cheptais level 4 hospital, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of Cheptais level 4 hospital; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

The Board of Management accepts responsibility for Cheptais level 4 hospital's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012, The Board members are of the opinion that Cheptais level 4 hospital's financial statements give a true and fair view of the state of *entity's* transactions during the financial year ended June 30, 2023, and of Cheptais level 4 hospital's financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for Cheptais level 4 hospital, which have been relied upon in the preparation of Cheptais level 4 hospital's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Board of management to indicate that Cheptais level 4 hospital will not

Cheptais level 4 Hospital (Bungoma County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022


remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

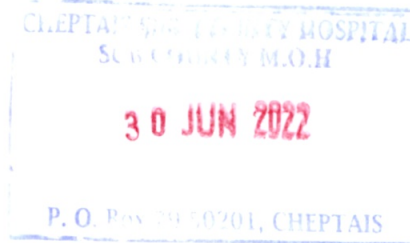
Cheptais level 4 hospitals financial statements were approved by the Board on _____
and signed on its behalf by:


.....

Name: Samwel talian chemwotei
Chairperson
Board of Management


.....

Name: Janet Mosii
Accounting Officer



REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON CHEPTAIS LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2022 - COUNTY GOVERNMENT OF BUNGOMA

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure that the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on the Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk Management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Cheptais Level 4 Hospital – County Government of Bungoma set out on pages 1 to 24, which comprise of the statement of financial position as 30 June, 2022 the statement of financial

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Cheptais Level 4 Hospital – County Government of Bungoma as at 30 June, 2022 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 the County Governments Act, 2012 the Health Act, 2017 and the Bungoma County Health Services Act, 2019.

Basis for Qualified Opinion

1. Variances in the Financial Statements

1.1. In-Kind Contributions from the County Government

The statement of financial performance reflects in-kind contributions from the County Government amount of Kshs.6,925,362 as disclosed in Note 6 to the financial statements. However, review of the schedules provided for audit reflects amounts of Kshs.4,858,400 and Kshs.2,013,962 in respect of salaries and wages and pharmaceutical and non-pharmaceutical supplies, respectively both totalling Kshs.6,872,362 resulting in unexplained and unreconciled variance of Kshs.53,000.

In the circumstances, the accuracy and completeness of the in-kind contributions from the County Government amount of Kshs.6,925,362 could not be confirmed.

1.2. Medical, Employee and Repairs and Maintenance Costs

The statement of financial performance reflects medical/clinical costs, employee costs and repairs and maintenance amounts of Kshs.8,452,717, Kshs.4,857,800, and Kshs.3,269,041 respectively. However, the amounts differ with the supporting schedules amounts of Kshs.8,059,300, Kshs.4,911,400 and Kshs.2,123,736 resulting in unexplained and unreconciled variances of Kshs.393,417, Kshs.53,600 and Kshs.1,145,305, respectively.

In the circumstances, the accuracy and completeness of the medical/clinical costs, employee costs and repairs and maintenance of Kshs.8,452,717, Kshs.4,857,800, and Kshs.3,269,041, respectively could not be confirmed.

2. Unsupported and Unconfirmed Revenue from Rendering Services

The statement of financial performance reflects Kshs.19,441,434 in respect of rendering of services – medical services income as disclosed in Note 7 to the financial statements. Included in the amount is the National Health Insurance Fund reimbursement of

Kshs.14,394,283. However, the National Health Insurance Fund records revealed an amount of Kshs.12,956,525 was paid to the Hospital resulting to an unexplained variance of Kshs.1,437,758. Further, the amount of Kshs.19,441,434 was not supported by a detailed listing indicating the dates, names, description of services rendered and amount received.

In the circumstances, the accuracy and completeness of revenue from rendering of services – medical services of Kshs.19,441,434 could not be confirmed.

3. Undisclosed Property, Plant and Equipment Balance

The statement of financial position reflects nil balance in respect of property, plant and equipment. However, the Hospital was in possession of land, buildings, furniture and fittings and computers and equipment of undetermined value which was not disclosed in the financial statements. Management did not undertake valuation of property, plant and equipment in use during the financial year under review. Further, the Hospital did not have title deeds for the land. A search certificate for one parcel revealed two (2) acres of land as set aside for the Hospital while a search for the other four (4) acres revealed no record of ownership by the Hospital.

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

4. Unconfirmed Inventory Balance

The statement of financial position reflects Nil inventory balance. However, there was no evidence of conducting the annual stock take to confirm the quantities, value and status of closing inventory balances as at 30 June, 2022.

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

5. Non-Disclosure of Employee Costs Paid by the County Government

The statement of financial performance reflects Kshs.4,857,800 for salaries wages and allowances as disclosed in Note 9 to the financial statements. The Hospital received in-kind contribution for salaries and wages of Kshs.6,925,362 as disclosed in Note 6 to the financial statements for services from staff employed by county and paid by the county. However, the payroll was not provided for audit verification.

In the circumstances, the accuracy and completeness of employee costs of Kshs.4,857,800 could not be confirmed.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Cheptais Level 4 Hospital Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe

that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual amounts on comparable basis of Kshs.28,837,760 and Kshs.26,366,796 respectively, resulting in under-collection of Kshs.2,470,964 or 9% of the budget. Similarly, the Hospital spent an amount of Kshs.22,746,789 against the total revenue of Kshs.26,366,796 resulting in under-utilization of Kshs.3,620,007 or 14% of the receipts.

The under-collection and under-utilization affected the planned activities and programmes and negatively impacted on effective service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Identification, Collection and Accounting of Own Generated Revenue

1.1. Failure to Transfer Revenue to the County Revenue Fund Account

The statement of financial performance reflects rendering services- medical services income of Kshs.19,441,434 as disclosed in Note 7 to the financial statements. However, the amount was not transferred to the County Revenue Fund Account for approval by the Controller of Budget before withdrawal. This was contrary to Regulation 81 (1-3) of Public Finance and Management (County Government) Regulations 2015 which states that a receiver of revenue shall promptly deposit into the County exchequer account all receipts due to the County Revenue Fund.

1.2. Lack of Quarterly Revenue Reports

The statement of financial performance reflects an amount of Kshs.19,441,434 in relation to the rendering of services -medical income as disclosed in Note 7 to the financial statements. However, the Hospital did not provide evidence to show that the reports were prepared and submitted the same to the County treasury with a copy to the Auditor General as per the requirement of Regulations 64(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer or receiver of revenue or collector of revenue to prepare a quarterly report not later than the 15th day after the end of the quarter.

1.3. Revenue Safeguards and Controls

The statement of financial performance reflects an amount of Kshs.19,441,434 in relation to the rendering of services -medical income as disclosed in Note 7 to the financial statements. However, it was noted that there was no segregation of duties in revenue collection because the same person receives revenue, issues receipts and carries out the banking of revenue. This is contrary to Regulation 63(1)(a) of the Public Finance Management (County Governments) Regulations, 2015 which states that an accounting officer and a receiver of revenue are personally responsible for ensuring that 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.

2. Non-compliance with Requirements on Universal Health Care

Review of the Hospital's operations and records during the year under review revealed that the health facility operated below the set standards as per the Kenya Quality Model for Health Checklist designed for level 4 hospitals. The following deficiencies in implementation of Universal Health Care programme were observed;

- (i) There were thirteen (13) health workers against the required one hundred and one (101) staff in the expected seven (7) positions, resulting in the understaffing of eighty-eight (88) or 90% of medical staff.
- (ii) The Hospital had fifty (50) inpatient beds against the required one hundred and fifty (150) resulting in a deficit of hundred (100) beds or 70% of requirement.
- (iii) The Hospital did not have the required functional departments of renal dialysis and radiology.
- (iv) Further, the Hospital lacked advanced life support machines, six (6) functional Intensive Care Unit (ICU) beds, six (6) High Dependency Unit (HDU) beds and at least five (5) dialysis machines required for a level 4 hospital.
- (v) In addition, the Hospital did not have newborn units with incubators and new born HDU cots against the required five (5).

The deficiencies contravene with the First Schedule of the Health Act, 2017 and implies that accessing highest attainable standards 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 contravenes 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.

3. Failure to Maintain Fixed Asset Register

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

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

4. Failure to Comply with Ethnicity Requirements

Review of the staff establishment revealed that the Hospital had fifty-three (53) staff of the dominant community or 50% out of one hundred and six (106) staff. This was contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which states that no public establishment shall have more than one third of its staff from the same ethnic community.

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

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

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

Conclusion

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

Basis for Conclusion

Failure to Conduct Internal Audits

Review of the Hospital's governance system revealed that it relied on the Internal Audit Unit of the Bungoma County Executive since it had not established its own unit. However, during the year under review, the Internal Audit Unit did not carry out any audits on the operations of the Hospital. This is contrary to Regulation 153(1)(a) of the Public Finance Management (County Governments) Regulations, 2015 which states that Internal auditors shall review and evaluate budgetary performance, financial management, transparency and accountability mechanisms and processes in county government entities.

In the circumstances, the Hospital did not benefit from the independent assurance over its financial reporting and risk management processes.

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

Responsibilities of Management and the Board of Management

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

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

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

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

The Board of Management is responsible for overseeing the Hospital's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and

systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Hospital's policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a

basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of the Management's use of the appropriate basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Hospital to cease to continue sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Hospital to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

21 June, 2024

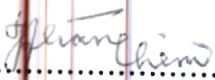
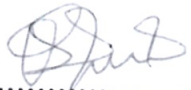
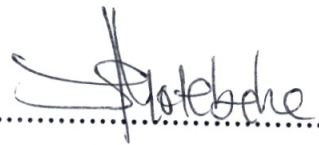
Cheptais level 4 Hospital (Bungoma County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

12. Statement of Financial Performance For The Year Ended 30 June 2022
STATEMENT OF FINANCIAL PERFORMANCE.

Description	Notes	2021/2022
		Kshs
Revenue from non-exchange transactions		
In-kind contributions from the County Government	6	6,925,362
Public contributions and donations		
		6,925,362
Revenue from exchange transactions		
Rendering of services- Medical Service Income	7	19,441,434
Revenue from rent of facilities		-
Finance /Interest Income		-
Other income (<i>specify</i>)		-
Revenue from exchange transactions		19,441,434
Total revenue		26,366,796
Expenses		
Medical/Clinical costs	8	8,452,717
Employee costs	9	4,857,800
Board of Management Expenses	10	575,000
Depreciation and amortization expense		
Repairs and maintenance	11	3,269,041
Grants and subsidies	12	5,592,231
Total expenses		22,746,789
Other gains/(losses)		
Net Surplus for the year		3,620,007
Attributed to :		-
Surplus(deficit)attributed to minority interest		-
surplus(deficit)attributed to owners of controlling entity		3,620,007

The notes set out on pages 7 to 24 form an integral part of the Annual Financial Statements.)

Cheptais level 4 hospitals financial statements were approved by the Board on 30/6/2022 and signed on its behalf by:

		
.....
Chairman Board of Management	Head of Finance ICPAK No:	Medical Superintendent

*Cheptais level 4 Hospital (Bungoma County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023*

13. Statement of Financial Position As At 30th June 2022

Description	Notes	2021/2022
		Kshs
Assets		
Current assets		
Cash and cash equivalents	13	3,839,137
Total Current Assets		3,839,137
Non-current assets		
Total Non-current Assets		-
Total assets		3,839,137
Liabilities		
Current liabilities		
Total Non-current liabilities		-
Total Liabilities		-
Net assets		
Accumulated surplus/Deficit		3,839,137
Total Net Assets and Liabilities		3,839,137

(The notes set out on pages 7 to 24 form an integral part of the Annual Financial Statements.)

Cheptais level 4 hospitals financial statements were approved by the Board on 30/6/2022 and signed on its behalf by:

[Signature]
.....
Chairman
Board of Management

[Signature]
.....
Head of Finance
ICPAK No:

[Signature]
.....
Medical Superintendent

30 JUN 2022

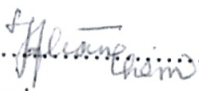
*Cheptais level 4 Hospital (Bungoma County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2023*

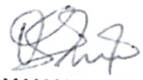
14. Statement of Changes in Net Asset for The Year Ended 30 June 2022.

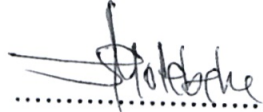
	Accumulated surplus/Deficit	Total
As at July 1, 2021	-	-
Surplus/(deficit) for the year	3,620,007	3,620,007
As at June 30, 2022	3,620,007	3,620,007

The notes set out on pages 7 to 24 form an integral part of the Annual Financial Statements.)

Cheptais level 4 hospitals financial statements were approved by the Board on 30/06/2023 and signed on its behalf by:


.....
Chairman
Board of Management


.....
Head of Finance
ICPAK No:


.....
Medical Superintendent

30 JUN 2022

Cheptais level 4 Hospital (Bungoma County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

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

Description	Note	2021/2022 KShs
Cash flows from operating activities		
Receipts		
Grants from donors and development partners		6,925,362
Rendering of services- Medical Service Income		19,441,434
Revenue from rent of facilities		
Finance / interest income		
Other receipts (<i>specify</i>)		
Total Receipts		26,366,796
Payments		
Medical/Clinical costs		8,452,717
Employee costs		4,857,800
Board of Management Expenses		575,000
Repairs and maintenance		3,269,041
Grants and subsidies		-
General expenses		5,592,231
Finance costs		-
Refunds paid out		-
Total Payments		22,746,789
Net cash flows from operating activities		3,620,007
Net cash flows used in financing activities		
Net increase/(decrease) in cash and cash equivalents		3,620,007
Cash and cash equivalents at 1 July	15	219,130
Cash and cash equivalents at 30 July	15	3,839,137

The notes set out on pages 7 to 24 form an integral part of the Annual Financial Statements.)

Cheptais level 4 hospitals financial statements were approved by the Board on 30/6/2022 and signed on its behalf by:

[Signature]
 Chairman
 Board of Management

[Signature]
 Head of Finance
 ICPAK No:

[Signature]
 Medical Superintendent

CHEPTAIS LEVEL 4 HOSPITAL
 BUNGOMA COUNTY GOVT
30 JUN 2022
 P. O. BOX 29 50701, CHEPTAIS

16.Statement of Comparison of Budget and Actual Amounts for Year Ended 30 Jun 2022

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Transfers from the County Government	6,925,362		6,925,362	6,925,362	6,925,362	100%
Rendering of services- Medical Service Income	21,912,398		21,912,398	19,441,434	2,470,964	89%
Total income	28,837,760	-	28,837,760	26,366,796	2,470,964	91%
Expenses						
Medical/Clinical costs	11,522,569	-	11,522,569	8,452,717	3,069,852	73%
Employee costs	4,857,800		4,857,800	4,857,800	-	100%
Board of Management Expenses	800,000	-	800,000	575,000	225,000	72%
Repairs and maintenance	3,836,240	-	3,836,240	3,269,041	567,199	85%
General expenses	5,753,589	-	5,753,589	5,592,231	161,358	97%
Total Expenditure	26,770,198	-	26,770,198	22,746,789	4,023,409	85%
Surplus for the period	2,067,562	-	2,067,562	3,620,007	(1,552,445)	
Capital expenditure	1,298,369	-	1,298,369	1,075,220	223,149	83%

Cheptais level 4 Hospital (Bungoma County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

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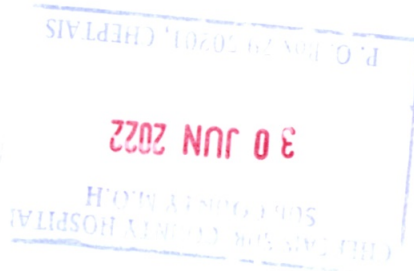
Chairman
Board of Management/CPAK No:

[Signature]

Head of Finance

[Signature]

Medical Superintendent



17. Notes to the Financial Statements

1. General Information

Cheptais entity is established by and derives its authority and accountability from gazette notice number 408 of 2020 . Cheptais level 4 hospital is wholly owned by the Bungoma County Government and is domiciled in Bungoma County in Kenya. Cheptais level 4 hospital's principal activity is to be responsive and provider of quality universal health care services and to provide high quality equitable, accessible, affordable, acceptable, curative, preventive, and rehabilitative health care services through research and technology.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying Cheptais level 4 hospital's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Notes The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of Cheptais level 4 hospital. The financial statements have been prepared in accordance with the PFM Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

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

Cheptais level 4 Hospital (Bungoma County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

Notes to the financial statement (Continued)

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

Standard	Effective date and impact
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ol style="list-style-type: none"> (a) The nature of such social benefits provided by Cheptais level 4 hospital. (b) The key features of the operation of those social benefit schemes;

Cheptais level 4 Hospital (Bungoma County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

Standard	Effective date and impact
	<p>and</p> <p>(c) The impact of such social benefits provided on Cheptais level 4 hospital's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • <i>IPSAS 29: Financial instruments: Recognition and Measurement</i> <p>Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>

Standard	Effective date and impact
<p>IPSAS 43</p>	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial</p>

*Cheptais level 4 Hospital (Bungoma County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022*

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

ii) Early adoption of standards

Cheptais level 4 hospital did not early – adopt any new or amended standards in the financial year or Cheptais level 4 hospital adopted the following standards early

4. Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to Cheptais level 4 hospital and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the asset that has been acquired using such funds.

b. Budget information

The original budget for FY 2021-2022 was approved by Assembly on 30th may 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by Cheptais level 4 hospital upon receiving the respective approvals in order to conclude the final budget. Accordingly, Cheptais level 4 hospital recorded. Cheptais level 4 hospital's budget is prepared on a different basis to the

Cheptais level 4 Hospital (Bungoma County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page under section of these financial statements.

c. Taxes

Sales tax/ Value Added Tax

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

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

d. Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, Cheptais level 4 hospital recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a

non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

e. Leases

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to Cheptais level 4 hospital. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. Cheptais level 4 hospital also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

f. Intangible assets

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

g. Research and development costs Cheptais level 4 hospital expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when Cheptais level 4 hospital can demonstrate:

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

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

h. Financial instruments

Financial assets

Initial recognition and measurement

Cheptais level 4 Hospital (Bungoma County Government)
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Financial assets within the scope of IPSAS 29 Financial instruments; Recognition and Measurements are classified as financial assets at fair value or deficit, loans and receivables, held-to maturity investments or available for –sale financial asset, as appropriate. The Entity determines the classification of its financial assets at initial recognition

.Loans and receivables

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

Held-to-maturity

Non derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held –to-maturity investments are held at amortized cost using the effective interest method less impairment,. Amortized cost is calculated by

Notes to the Financial Statements (Continued)

taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The loses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

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

- The debtors or an entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principle payments
- The probability that debtors will enter bankruptcy or other financial reorganization

- Observation data indicates a measureable decrease in estimated future cash flows
 - (e.g changes in arrears or economic condition that correlate with defaults)

Financial liabilities

Initial recognition and measurement

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

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

i. Inventories

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

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

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

After initial recognition, inventory is measured at the lower cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower cost and the current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of Cheptais level 4 hospital.

j. Provisions

Provisions are recognized when Cheptais level 4 hospital has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits

or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where Cheptais level 4 hospital expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

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

Contingent liabilities

Cheptais level 4 hospital does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent assets

Cheptais level 4 hospital does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Cheptais level 4 hospital in the notes to the financial statements. Contingent assets are assessed continually to ensure that Developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

k. Nature and purpose of reserves

Cheptais level 4 hospital creates and maintains reserves in terms of specific requirements. *(Entity to state the reserves maintained and appropriate policies adopted.)*

l. Changes in accounting policies and estimates

Cheptais level 4 hospital recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

m. Employee benefits

Retirement benefit plans

Cheptais level 4 hospital provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further

contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump-sum payments or increased future contributions on a proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

n. Borrowing costs

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

o. Related parties

Cheptais level 4 hospital regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over Cheptais level 4 hospital, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO/principal and senior managers.

p. Service concession arrangements

Cheptais level 4 hospital analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, Cheptais level 4 hospital recognizes that asset when, and only when, it controls or regulates the services. The operator must provide together with the assets, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, Cheptais level 4 hospital also recognizes a corresponding liability, adjusted by a cash consideration paid or receive

q. Cash and cash equivalents

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

r. Comparative figures

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

s. Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of Cheptais level 4 hospital's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. Cheptais level 4 hospital based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of Cheptais level 4 hospitals. Such changes are reflected in the assumptions when they occur. (IPSAS 1.140)

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

Cheptais level 4 Hospital (Bungoma County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

- The condition of the asset based on the assessment of experts employed by Cheptais level 4 hospital.
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- The nature of the processes in which the asset is deployed.
- Availability of funding to replace the asset.
- Changes in the market in relation to the asset.

6. In Kind Contributions from The County Government

Description	2021/2022
	KShs
Salaries and wages	6,925,362
Total grants in kind	6,925,362

In kind contribution is inclusive of pharms and non pharms ksh 2,067,862

- *These are payments made directly by the County Governments for casual staff salaries and medical drugs.*

7. Rendering of Services-Medical Service Income

Description	2021/2022
	KShs
Pharmaceuticals	2,123,805
Non-Pharmaceuticals	1,318,210
Laboratory	907,626
Radiology	40,000
Orthopedic and Trauma Technology	347,900
Theatre	43,000
CONSULTATION	6,240
INPATIENT OUTPATIENT	260,370
NHIF REIMBURSEMENT	14,394,283
Total revenue from the rendering of services	19,441,434

8. Medical/ Clinical Costs

Description	2021/2022
	KShs
Laboratory chemicals and reagents	885,000
Food and Ration	1,648,450
Dressing and Non-Pharmaceuticals	3,402,082
Pharmaceutical supplies	2,062,185
Sanitary and cleansing Materials	455,000
Total medical/ clinical costs	8,452,717

Cheptais level 4 Hospital (Bungoma County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

9. Employee Costs

Description	2021/2022
	KShs
Salaries, wages, and allowances	4,857,800
Employee costs	4,857,800

The in-kind salaries paid toward casual staffs working at the hospital

10. Board of Management Expenses

Description	2021/2022
	KShs
Chairman's Honoraria	
Sitting allowance	575,000
Total	575,000

11. Repairs And Maintenance

Description	2021/2022
	KShs
Property- Buildings	989,305.00
Medical equipment	156,000.00
Motor vehicle expenses	1,912,416.00
Maintenance of Plant	211,320.00
Total repairs and maintenance	3,269,041.00

12. General Expenses

Description	2021/2022
	KShs
Catering expenses	1,674,145
Bank charges	16,160
Electricity expenses	775,038
Travel and accommodation allowance	1,359,540
Printing and stationery	1,606,348
Hire charges	
Refine fuel and other fuels	
Water and sewerage costs	55,000
Telephone and mobile phone services	106,000
Total General Expenses	5,592,231

13. Cash and Cash equivalents

Description	2021/2022
	Kshs.
Current accounts	3,839,137
Total cash and cash equivalents	3,839,137

Cheptais level 4 Hospital (Bungoma County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

14a). Detailed Analysis of Cash and Cash Equivalents	
Description	2021/2022
Financial Institution	KShs
a) Current account	
Cooperative Bank	3,768,762
Cooperative Bank	70,375
d) Others(<i>specify</i>)	
cash in hand	
Mobile money- Mpesa, Airtel money	
Sub- total	
Grand total	3,839,137

15. Cash Generated from Operations	
	2021/2022
Surplus for the year before tax	KShs
Adjusted for:	3,620,007
Depreciation	
Non-cash grants received	
Impairment	
Gains and losses on disposal of assets	
Contribution to provisions	
Contribution to impairment allowance	
Working Capital adjustments	
Increase in inventory	
Increase in receivables	
Increase in deferred income	
Increase in payables	
Increase in payments received in advance	
Net cash flow from operating activities	3,620,007

16. Financial Risk Management

Cheptais level 4 hospital's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on the unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company

does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

Cheptais level 4 hospital's financial risk management objectives and policies are detailed below:

(i) Credit risk

Cheptais level 4 hospital has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets are recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows.

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with Cheptais level 4 hospital board of management who have built an appropriate liquidity risk management framework for the management of Cheptais level 4 hospital's short, medium and long-term funding and liquidity management requirements. Cheptais level 4 hospital manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The table below represents cashflow payable by the company under non-derivative financial liabilities by the remaining contractual maturities at the reporting date. The amount disclosed in the table are the contractual undiscounted cashflows. Balances due within 12 Months equals their carrying balances, as the impact of discounting is not significant.

(iii) Market risk

The hospital has put in place an internal audit function to assist it in assessing the risk faced by Cheptais level 4 hospitals on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect Cheptais level 4 hospital's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to Cheptais level 4 hospital's exposure to market risks or the way it manages and measures the risk.

iv) Capital Risk Management

The objective of Cheptais level 4 hospitals' capital risk management is to safeguard Cheptais level 4 hospital ability to continue as a going concern. Cheptais level 4 hospital capital structure comprises of the following funds:

Description	2021/2022
	Kshs
Accumulated surplus/Deficit	3,839,137
Total funds	3,839,137
Total borrowings	
Less :cash and bank balances	3,839,137
Net debt/(excess cash and cash equivalents)	3,839,137
Gearing	100%

17. Related Party Balances

Nature of related party relationships

Entities and other parties related to Cheptais level 4 hospitals include those parties who have the ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates, and close family members.

Bungoma County Government is the principal shareholder of Cheptais level 4 hospital, holding 100% of Cheptais level 4 hospital's equity interest. The National Government of Kenya has provided full guarantees to all long-term lenders of Cheptais level 4 hospital, both domestic and external. The related parties include:

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

Description	2021/2022
	KSH
Transactions with related parties	
a) Expenses incurred on behalf of related party	
Payments of salaries and wages for employees	4,857,800
Payments for goods and services for Cheptais level 4	2,067,562
Total	6,925,362
b) Key management compensation	
Directors' emoluments	
Compensation to the medical Sup	
Compensation to key management	
Total	

18. Events after the Reporting Period

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

19. Ultimate and Holding Entity

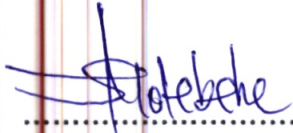
Cheptais level 4 hospital is a Semi- Autonomous Government Agency under the Department of Health. Its ultimate parent is the County Government of Bungoma

20. Currency

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

Appendix 1: Progress on Follow Up of Auditor Recommendations

This the initial time we are reporting independently.


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Accounting Officer

