REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*

24/09/24
N.L
Abdirahman

# REPORT

# OF

# THE AUDITOR-GENERAL



# ON

# CHEPARERIA SUB-COUNTY LEVEL 4 HOSPITAL

# FOR THE YEAR ENDED 30 JUNE, 2022

# COUNTY GOVERNMENT OF WEST POKOT

HARAMBEE

# CHEPARERIA SUB COUNTY LEVEL 4 HOSPITAL (WEST POKOT COUNTY GOVERNMENT)

## ANNUAL REPORT AND FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2022

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

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## I. Key Entity Information and Management

### (a) Background information

Chepareria sub county Hospital is a level (4) hospital established under gazette notice number 786 vol. CXXII No. 24 dated 4th Feb 2020 and is domiciled in West Pokot County under the health Department. The hospital is governed by a Board of Management.

### (b) Principal Activities

To promote and participate in provision of affordable, integrated and high Quality promotive,curative and rehabilitative

**Vision Statement**

A model referral hospital committed to excellence in quality health care provision, Innovation, training and research.

**Mission Statement**

To promote and participate in the provision of integrated and high quality promotive, preventive,curative and rehabilitative healthcare services to all Kenyans.

### (c) Key Management

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

- County department of health
- Board of Management
- Accounting Officer/ Medical Superintendent
- Health Management team (HMT)

### (d) 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 | Mrs Domongole Jennipher |
| 2. | Hospital Administrator | Mr Benn O. Oluoch |
| 3. | Accontant | Mr Desmond k. Lotam |
| 4. | Supply chain | Mrs Nancy Lowoi |
| 5. | Nursing Officer In Charge | Mrs Miriam Lopus |

**(e) Fiduciary Oversight Arrangements**

i) Audit and Risk Management Committee

The West Pokot County Audit Committee was constituted and inducted on 1st July 2018 as per the provisions of the Public Finance and Management Act, 2012. It is mandated to review audit reports and advise the Hospital on institutional risk management.

| S/No | Name | Designation |
|---|---|---|
| 1 | Mr. Paul Loitangiro Rikilem | Chairperson |
| 2 | Mr Thomas Pkemoi Lotiaka, CPA | Secretary |
| 3 | Mr. Kizito Musakala Makhumi CPA | Member |
| 4 | Ms. Irene Chebet Lorot | Member |

ii) County Assembly committees

Article 185(3) provides that a County Assembly, while respecting the principle of the separation of powers, may exercise oversight over the County Executive Committee and any other County Executive organs. The oversight role of the County assembly is exercised directly by all members of the County assembly and through County assembly committees. The following are the committees responsible for oversight in the County assembly:

- Public Accounts and Investment Committee
- Health Sectorial Committees
- Finance and Planning Committee
- Implementation Committee

**(f) Entity Headquarters**
Chepareria sub county hospital
P.O. Box 63-30600
Kapenguria
KENYA

**(g) Entity Contacts**

Telephone: (+254)736182216
E-mail: medsupcsch@westpokot.go.ke
Website: www.west pokot.go.ke

**(h) Entity Bankers**

1. Kenya Commercial Bank

   Kapenguria Branch,
   P.O. Box 66 - 30600
   Kapenguria, Kenya
   Kapenguria Town Centre

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

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

**(k) West Pokot County Attorney**
P.O. Box. 222-30600
kapenguria, Kenya

## II. The Board of Management

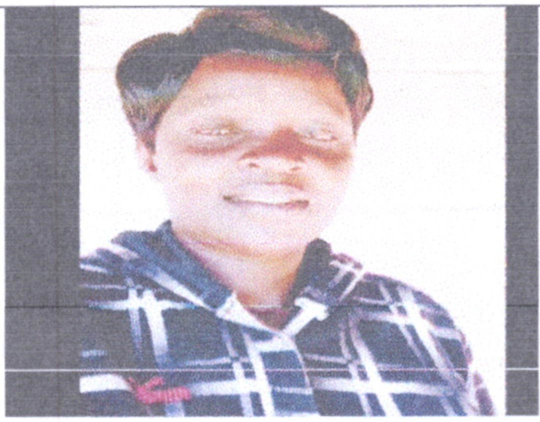
| | Directors | Details |
|---|---|---|
| 1. | <br>Mr Martin Korwa<br>Board chairman | Mr Martin Korwa is the current chair of the board. Mr Korwa is 62 yaers old. Mr.Korwa holds a Diploma in pharmacy from KMTC Nairobi Campus. He runs one of the largest pharmaceutical company in the county.<br>He brings in over 20 years of experience in managing health facilities. |
| 2. | <br>Mr Jackson Kaliwai<br>Vice Chairman | Mr Jackson Kaliwai is the vice chair to the board. Mr Jackson trained at Kenya Technical Training College and he is currently employed as a warden Ack St John chepareria Parish |
| 3. | <br>Mr Moses Komole Lotolim<br>Board Member | Mr Moses Komole Lotim Is an independent member to the board Mr. Komole is a planner by profession<br>And currently working at Kerio Valley Development Authority |

| | | |
|---|---|---|
| 4. |  Mrs Irene Chepkazi Kapkama<br>Board member | Mrs Irene Chepkama is an independent board member. Mrs Chepkemei holds a certificate in secretariat and she is currently employed at Chepareria vocational training center |
| 5. |  Mr kiraule Pyatich<br>Board member | Mr Kiraule is an independent board member. Mr. Kiraule holds diploma in accountancy and he is currently working as finance officer at University of Eldoret |
| 6. |  Mrs Julia Kamketo<br>Board Member | Mrs Julia is an independent board member<br>Mrs Julia is a teacher by profession.<br>She holds a Diploma in ECDE.<br>She is a Retired teacher |

| | | |
|---|---|---|
| 7. | <br>Mr David Pkumun<br>Board member | Mr David is an inependent board member.Mr David is a farmer by profession |
| 8. | <br>Mrs Jenipher Domongole<br>Secretary to the board | Mrs Domongole is the secretary to the board and holds a Diploma in Medicine from kenya medical training Nakuru campus she is currently working at Kapenguria Referal hospital as a clinical officer |

## III. Management Team

| Ref | Management | Details |
|---|---|---|
| 1. | <br>Mrs Domongole Jenipher<br>Medical Superintendent | The Medical superintendent Chairlady to the Management team, AIE Holder<br>Secretary to the board of management |
| 2. | <br>Mr Benn O Oluoch<br>Hospital Administrator | Health Administrative Officer<br>In charge of all administrative issues. |
| 3. |  | Nursing Officer<br>In charge of nursing services within the hospital |

| | | |
|---|---|---|
| | Mrs Miriam lopus<br>Nursing Officer In charge | |
| 4. | <br>Desmond Kibet<br>Hospital accountant | Hospital Accountant<br>Handle all financial matters in the facility<br>Bachelor of business management Moi university |
| 5. | <br>Nancy Lowoi<br>Supply chain officer | Supply chain officer<br>Nancy is in charge of all the procurement<br>Diploma in procurement Eldoret polytechnic |

## IV. Chairman's Statement

On behalf of the Chepareria hospital board I want to take this opportunity to thank them all and there enterer hospital management for giving their best corporation in ensuring service delivery and general running of the facility for the year to the expected standards.

This year had a lot of challenges. In terms of infrastructure the facility lacks adequate building to incorporate some services offered by a level four facility such as enough wards to accommodate required bed capacity, the clerking rooms are not also enough.

Despite all those challenges the facility was able to offer services to some satisfaction of majority of our clients as per our available services such as maternity, out-patient services and lab services

The board also had an opportunity through the medical superintendent to formally request for construction of paediatric ward to accommodate children as they were sharing wards with the adults.

I want also to extend an appreciation to the county government for ensuring flow of facility improvement fund to the facility. This funds did enable the facility meet there daily expenditures and procurement of commodities as per there needs in order to offer services to their clients

The facility also had challenges with vote allocation since vote heads where not issued as per their priority areas thus hindering services in some areas. I wish to suggest that as we go along the county government should consider allocating funds as per the hospital management team recommendation since they are based on their needs.

As we foresee in the future there is need for expansion of the facility to include services such as minor theatre, eye unit, and dentistry and radiology departments as the population the attended to be high as shown in the workload of the hospital.

MKorwa.

……………………………………

Name: Mr Martin Korwa

Chairperson of the board.

## V. Report of The Medical Superintendent

The facility made tremendous gains through the FIF resources during the year since there was adequate supply of drugs non-pharms and lab reagents procured from meds to bridge the gap by KEMSA supplies which were not available. The facility made tremendous improvement on revenue collection due to the adequate procurement of pharmaceuticals with the FIF funds. This also helped in introduction of lab tests that where not offered as the reagents where made available in sufficient quantities.

The facility also managed to improve its working environment by procuring furniture for several offices which didn't have for example tables, office chairs among others.

The Medical Superintendent with the chair of the board where able to approach the Governor on a consultative meeting to discuss the challenges at the facility was facing. They were able to negotiate for construction of paediatric ward to be included in the next financial year.

The facility was also able to introduce NHIF electronic claims system. This tremendously helped in the increase of revenue collection, membership of our NHIF clients who chose our facility also increased hence increased capitation paid by NHIF

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Name: Mrs Domongole Jenipher

Secretary of the Board

## VI. Statement Of Performance Against Predetermined Objectives

Section 164 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the County Government entity's performance against predetermined objectives.

*West Pokot* has *3* strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2022- 2023. These strategic pillars/ themes/ issues are as follows;

Pillar /theme/issue 1: preventive and promotive health services

Pillar/theme/issue 2: curative and rehabilitative health services

Pillar/Theme/issue 3: general administration planning and support services

Chepareria Sub County Hospital developed its annual work plans based on the above *3* pillars/Themes/Issues and other priority areas. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Chepareria Sub County Hospital achieved its performance targets set for the FY 2021/2022 period for its 3 strategic pillars, as indicated in the diagram below:

| Strategic Pillar/Theme/Issues | Objective | Key Performance Indicators | Activities | Achievements |
|---|---|---|---|---|
| 1:preventive and promotive health services | To reduce the burden of preventive diseases | Reduced preventive diseases | -Strengthen preventive and promotive health services through roll out of primary care networks<br>-community sensitization on preventive measures of communicable diseases | Community knowledge on prevention i.e. corona virus, Reduction in cholera cases which was done through sensitization of the client's use of construction |

| | | | | |
|---|---|---|---|---|
| | | | | of simple pit latrines and toilets. Reduced malaria cases due to distribution on nets. |
| 2: curative and rehabilitative health services | To provide effective and efficient curative and rehabilitative at all health service delivery | -cure patients -rehabilitate | -procurement of drugs on time -continuous capacity building of staff on key technical arrears and logistics management | There was no stock out of critical drugs -patients were treated and managed at the facility level -low cases of referrals because of improved services at the hospital. Due to -construction of the lab reduced cases of referral as clients could be tested at the facility |
| 3: general | To provide | -smooth | -Operalization of | -no hick ups |

| | | | | |
|---|---|---|---|---|
| administration planning and support services | leadership and policy direction for effective health services | operations at the facility -adherence to financial management acts -strict adherence to health acts | HMT -provision of support services(procurement, administrative and accounting) Ensure workers adhere to health acts in treating clients | in running the facility -minimal breach of financial acts-adoption of the FIF( facility improvement act) |

## VII. Corporate Governance Statement

### Board minutes

The Board of Chepareria sub county Hospital holds its sittings to transact the business of the facility quarterly that is after every three months. The Chairperson of the Board of hospital may, and upon request in writing by at least one-third of the members of the Board shall, convene a special meeting to transact any urgent business of the Board. All regular meetings of the Board of the hospital called for transacting business, where a majority of the members elected are present, shall be open to the public.

A majority of the members of the Board of the hospital is a quorum to conduct business, but a smaller number may meet and compel attendance of absent members as prescribed. A member of the Board of the hospital who is interested in any discussions or decision-making regarding any subject or transaction under consideration by the Board, shall not be counted as participating in the discussions or decision-making, and is not entitled to vote on or agree to the subject or transaction relating to it.

### Appointment of board members.

The board members will be nine consisting of:

1. Chairperson appointed by county executive member committee member.
2. Area sub county administrator appointed under section 50(b) of county government act, 2012.
3. Medical superintendent who shall be the secretary
4. Person with knowledge and experience on health matters appointed by the executive committee member.
5. Three persons who shall be residents of area of jurisdiction appointed by the executive committee member representing the following categories of person-
   i) One person with knowledge and experience in finance and administration matters.
   ii) Two people representing special interest group (PLD,Youth and Women)

A person can be appointed to the board if he or she holds a degree from a recognized university in Kenya, demonstrate a high level of integrity and leadership at senior level either public or private, meets requirement of chapter six of the constitution and not serving a state officer, hold a level O certificate of education or equivalent.

Members of the board apart from ex-officio shall hold office for a period of three years

### Roles and Functions of the Board

The county and sub-county hospital management boards shall —

(a) Be responsible for the supervision of the funds allocated to the respective hospitals;

(b) Open and operate bank accounts at a bank(s) to be approved by the County Executive Members responsible for matters related to finance in the County;

(c) Recommend activities to be included in the hospital work plans based on the County health sector strategic plan;

(d) Cause to be kept books of accounts and records of accounts of the income, expenditure, assets and liabilities of the hospital as prescribed by the Accounting Officer;

(e) cause to be prepared and submitted to the administrator of the fund monthly, quarterly and annual financial reports as prescribed; and

(f) Cause to be kept a permanent record of all its deliberations.

### Remuneration of the Board

The members of the Board of the Hospital are not entitled to a salary. However, members of the Board are paid allowances as advised by the Salaries and Remuneration commission.

If a member present directly or indirectly interested into the outcome of any decision on the matter before the board shall disclose the fact and not take part in the consideration or discussion of, or vote on any of the matter in conflict.

Board members shall comply with the code of conduct governing public officers and provisions of chapter six of the Kenya constitution.

## VIII. Management Discussion and Analysis

Despite not having all the departments in the facility, we were able to manage most of the cases presented to us by our clients in order to capture the below data. Those that we could not manage we had to refer to our mother hospital being Kapenguria county referral hospital

This table summarizes it as:

| ITEM | FY 2020/2021 | FY 2021/2022 |
|---|---|---|
| Bed capacity | 25 | 26 |
| Patient attendance both inpatient and out patient | 36114 | 40404 |
| Accident and emergency attendance | 520 | 652 |
| Special clinic attendance | 3607 | 4858 |
| Average length of stay | 2dys | 2dys |
| Bed occupancy rate | 67% | 73% |
| Mortality rate | 0.42% | 0.18% |

During the year we had the below sponsors and partners

### Sponsorships and partners

| S/No | Stakeholder | Role |
|---|---|---|
| 1 | UNICEF | WASH |
| 2 | International Red Cross Society (IRC) | Nutrition |
| 3 | AMPATH Uzima | HIV-Care and treatment |
| 4 | Action Against Hunger (ACF) | Nutrition |
| 5 | AMREF KENYA | Nutrition<br>WASH |
| 6 | International Rescue Committee (IRC) | Nutrition-Combined Protocol for Acute Malnutrition Study (CoMPAS) |

**Financial performance that includes**

- revenue sources includes:
  - Cash collection (user fee) (Lab, Drugs, Files/OPD, Eye etc)
  - NHIF

  Summarised as:

| MONTH | CASH |
|---|---|
| JUL 21 | 170,960 |
| AUG 21 | 247,280 |
| SEPT 21 | 180,090 |

| | |
|---|---|
| OCT 21 | 148,840 |
| NOV 21 | 174,500 |
| DEC 21 | 185,400 |
| JAN 22 | 227,660 |
| FEB 22 | 331,040 |
| MAR 22 | 274,300 |
| APRIL 22 | 204,980 |
| MAY 22 | 393,350 |
| JUN 22 | 236,790 |
| | |
| **TOTALS** | 2,775,190 |

The management utilised the amount disbursed to them as follows

| **Expenses** | **AMount** | **Percentage** |
|---|---|---|
| Medical/Clinical costs | 13,278,344 | 15% |
| Employee costs | 71,707,230 | 82% |
| Board of Management Expenses | 450,200 | 1% |
| Repairs and maintenance | 308,731 | 0% |
| General expenses | 1,595,278 | 2% |
| **Total expenses** | **87,339,783** | - |

## IX. Environmental And Sustainability Reporting

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

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

Partnering with various partners and sponsors, this ensures support on programs that facility cannot shoulder.

The involvement of facility in budget making process confirms its sustainability as the facility can plan what to do in future and anticipate challenges that might happen in future by budgeting for there expenditure.

***ii) Environmental performance***

Waste is managed at the facility by incinerating of waste products and burying of glass bottles.

There is a functioning sewage system

***iii) Employee welfare***

Employees are allowed to attend various trainings

There is a continuous training on IPC's at the facility.

Employees are the first to be immunized against diseases that they may contact on their jobs

***iv) Market place practices-***

*The organisation should outline its efforts to:*

a) ***Responsible competition practice.***
b) The Chepareria sub county Hospital applies the principles of public procurement as espoused in the Public Procurement and Asset Disposal Act, 2015; fairness, competitiveness, integrity, professionalism, transparency and accountability, promotion of local industry, promotion of citizen contractors and maximization of value for money.
c) The County uses the Public Procurement and Regulatory Authority market price index and its own market survey to assure competitive prices of procured goods, works and services. In compliance with achieving affirmative action as provided by the Constitution under Articles 55 and 56 and as enacted in the Public

Procurement and Asset Disposal Act, 2015 Sections 155,156,157 & 158, the County reserves 30% of its procurement budget to Youths, Women and Persons Living with Disability. Furthermore, the department prepares and submits the reports to Public Procurement and Regulatory Authority Quarterly and bi-annually as required under the Act and Executive Order no. 2/2018.

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

Use of local supplies

Maintain their contacts

Making payments for all local purchase orders and service orders upon delivery and completion of the works contracted to the suppliers

**e) *Responsible marketing and advertisement***

The hospital ensures that all materials or information for marketing are revealed to the pubic

We promote products that are safe to our clients

We abide by government laws

**f) *Product stewardship***

Products procured are as per the market rates factoring expenses incurred to deliver

Considering profit margins for the client.

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

Tree planting is done at the facility.

Continuous conversation with the community on their health matters such as nutrition, Aids and TB

## X. 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 the hospital's affairs.

**Principal activities**

The principal activities of the entity are to promote and participate in provision of affordable, integrated and high Quality promotive, curative and rehabilitative

**Results**

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

**Board of Management**

The members of the Board who served during the year are shown on page xi to xiii.

**Auditors**

The Auditor General is responsible for the statutory audit of the Chepareria sub county hospital in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year ended June 30, 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

Mrs Domongole Jenipher (MEDICAL SUPERINTENDENT)

Sign......................................date 20/05/2024

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

Section 164 of the Public Finance Management Act, 2012 (*Facility improvement Fund Act 2019)*) requires the Board of Management to prepare financial statements in respect of CSCH, which give a true and fair view of the state of affairs of the CSCH at the end of the financial year/period and the operating results of the CSCH for that year/period. The Board of Management is also required to ensure that the CSCH keeps proper accounting records which disclose with reasonable accuracy the financial position of the CSCH. The council members are also responsible for safeguarding the assets of the CSCH.

The Board of Management is responsible for the preparation and presentation of the CSCH financial statements, which give a true and fair view of the state of affairs of the CSCH for and as at the end of the financial year (period) ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the CSCH; (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 CSCH financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (- *Facility improvement Fund Act 2019)*. The Board members are of the opinion that the CSCH financial statements give a true and fair view of the state of CSCH transactions during the financial year ended June 30, 2022, and of the CSCHs financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the CSCH, which have been relied upon in the preparation of the CSCH financial statements as well as the adequacy of the systems of internal financial control.

# REPUBLIC OF KENYA

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

OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*

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

**REPORT OF THE AUDITOR-GENERAL ON CHEPARERIA SUB-COUNTY LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2022 - COUNTY GOVERNMENT OF WEST POKOT**

PREAMBLE

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

A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.

B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

**Qualified Opinion**

I have audited the accompanying financial statements of Chepareria Sub-County Level 4 Hospital – County Government of West Pokot set out on pages 1 to 30, which comprise of the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Chepareria Sub-County Level 4 Hospital - County Government of West Pokot as at 30 June, 2022, and of its financial performance and its cash flows for the period 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 and the Health Act, 2017.

**Basis for Qualified Opinion**

**1. Unsupported Cash and Cash Equivalents**

The statement of financial position reflects cash and cash equivalents balance of Kshs.175,483. The balance includes Kshs.155,037 in respect of a local bank account which was not supported by a cash book, certificate of bank balance and bank reconciliation statements. In addition, the cash and cash equivalents balance includes Kshs.20,446 in respect of Facility Improvement Fund (FIF) operation account as disclosed in Note 13 to the financial statements. However, the balance reflected is as per the certificate of bank balance instead of the reconciled cashbook balance of Kshs.17,343.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.175,483 could not be confirmed.

**2. Unsupported in-Kind Contributions from the County Government**

The statement of financial performance reflects in-kind contributions from the County Government of Kshs.80,161,680 as disclosed in Note 7 to the financial statements. The amount comprises of salaries and wages of Kshs.71,707,230 and pharmaceuticals/non-pharmaceuticals supplies of Kshs.8,454,450 paid on behalf of the Hospital by the County Executive of West Pokot. However, no supporting documents were provided for audit.

In the circumstances, the accuracy and completeness of in-kind contributions from the County Government of West Pokot amounting to Kshs.80,161,680 could not be confirmed.

**3. Inaccurate Receivables from Exchange Transactions**

The statement of financial position reflects receivables from exchange transactions balance of Kshs.157,780 as reflected in Note 14 to the financial statements. The amount relates to dues from the National Health Insurance Fund (NHIF) whose records indicate a balance of Kshs.596,900 resulting to an unexplained variance of Kshs.439,120.

In the circumstances, the accuracy and completeness of receivables from exchange transactions balance of Kshs.157,780 could not be confirmed.

### 4. Inaccurate Grants from Donors and Development Partners Income

The statement of financial performance reflects Nil amount of grants from donors and development partners income. However, distribution data from Kenya Medical Supplies Agency (KEMSA) revealed that the Hospital received donations and program commodities drugs amounting to Kshs.3,591,464 and Universal Health Coverage (UHC) of Kshs.70,810 which were not disclosed in the financial statements.

In the circumstances, the accuracy and completeness of Nil grants from donors and development partners' income could not be confirmed.

### 5. Non-Disclosure of Property, Plant and Equipment

The statement of financial position did not disclose property, plant and equipment balance. However, review of Hospital records and physical verification revealed various assets including land, buildings, motor vehicles, furniture, computers and equipment which were not disclosed in the financial statements. Further, the ownership documents for land where the Hospital is build were not provided for audit.

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

### 6. Unconfirmed Inventory Balance

The statements of financial position did not disclose any balances relating to inventory/stock despite presence of undetermined value of inventory and 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.

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

### Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

## Conclusion

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

## Basis for Conclusion

### 1. Late Submission of Financial Statements

The Hospital Management submitted the financial statements for the year ended 30 June, 2022 to the Office of the Auditor-General on 15 April, 2024, eighteen (18) months after the deadline of 30 September, 2022. This was contrary to Section 47(1) of the Public Audit Act, 2015 which requires the financial statements to be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate.

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

### 2. Weakness in the Procurement Function

Review of the procurement processes at the Hospital revealed that Management incurred Medical and Clinical costs totalling Kshs.13,278,344. Included in this amount is Kshs.857,055 paid out to various suppliers who were not in the list of registered suppliers. Further, members appointed in the tender opening and evaluation committees were not being rotated contrary to Section 46(4)(b) of Public Procurement and Asset Disposal Act, 2015 that states that an evaluation committee shall consist of between three and five members appointed on rotational basis. Further, Management did not provide bidders with the standard procurement documents as per Section 58(1) of Public Procurement and Asset Disposal Act, 2015 which states that an accounting officer of a procuring entity shall use standard procurement and asset disposal documents issued by the Authority in all procurement and asset disposal proceedings.

In the circumstances, Management was in breach of the law and value for money on the procurement of Kshs.857,055 could not be confirmed.

### 3. Discrepancy in Categorization and Licensing of the Hospital

Review of Kenya Gazette Notice No.786 of 4 February, 2020 on categorization of hospitals revealed that the facility was categorized as a level 3(a) Hospital. However, interviews with Management and review of the financial statements presented for audit indicated that the facility was a level 4 hospital.

Further, review of records revealed that the Hospital was not registered and licensed to operate as a public medical institution by the Kenya Medical Practitioners and Dentists Board contrary to Section 15(3) of Medical Practitioners and Dentists Act, 2019 which requires the Council to issue to every approved health institution registered under the Act, a certificate of registration in the prescribed form.

The Hospital could therefore, be missing on commensurate funding based on the discrepancies in categorization as per the gazette notice and maybe operating without a license.

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

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

Review of Hospital records and interviews on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to medical staff deficits by seventy-one (71) staff requirements or 70% of the authorized establishment.

| | Level 4 Standard | Number in Hospital | Variance | Percentage |
|---|---|---|---|---|
| **Staffing Requirement** | | | | |
| Medical Officers | 16 | 0 | 16 | 100 |
| Anesthesiologists | 2 | 0 | 2 | 100 |
| General Surgeons | 2 | 0 | 2 | 100 |
| Gynecologists | 2 | 0 | 2 | 100 |
| Pediatricians | 2 | 0 | 2 | 100 |
| Radiologists | 2 | 0 | 2 | 100 |
| Registered Community Health Nurses | 75 | 30 | 45 | 60 |
| **Total** | **101** | **30** | **71** | **70** |

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

| Service | Level 4 Standard | Number in Hospital | Variance | Percentage |
|---|---|---|---|---|
| Incubators (Newborn) | 5 | 0 | (5) | 100 |
| Cots | 5 | 0 | (5) | 100 |
| Resuscitaire in Theatre | 1 | 0 | (1) | 100 |

| Service | Level 4 Standard | Number in Hospital | Variance | Percentage |
|---|---|---|---|---|
| Resuscitaire in Labour Ward | 2 | 0 | (2) | 100 |
| Functional ICU Beds | 6 | 0 | (6) | 100 |
| HDU Beds | 6 | 0 | (6) | 100 |
| Renal Unit with Dialysis Machines | 5 | 0 | (5) | 100 |
| Functional Operating Theatres Maternity and General | 2 | 0 | (2) | 100 |
| Bed Capacity | 150 | 54 | (96) | (96) |

Further, physical inspection carried out in the month of May, 2024 revealed that the Hospital had inadequate facilities like washrooms, a laundry machinery and there was inadequate water flow for daily operational activities.

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

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

**Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on 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 governance were not effective.

**Basis for Conclusion**

**1. Non-Compliance with Qualification Requirements for In-Charge Medical Practitioner Position**

Review of personnel files revealed that the medical practitioner who was serving as the In-Charge of the Facility did not possess a Master's Degree in a health related field. This was contrary to the provisions of the First Schedule of the Health Act, 2017 which requires that the In-charge of a Level 4 Hospital be a registered medical practitioner with a Master's Degree in a health-related field.

In the circumstances, Management was in breach of law and service delivery may be negatively affected.

**2. Lack of Risk Management Policy**

Review of records revealed that the Hospital did not have in place, a Risk Management Policy and did not perform formal risk assessments on key financial risk areas such as revenue, expenditure and fraud. The Management was therefore in breach of Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 that requires the accounting officer to ensure that the County Government entity develops risk management strategies, which include fraud prevention mechanism and a system of risk management and internal control that builds robust business operations.

In the circumstances, existence of effective risk management strategies and internal controls in fraud prevention could not be confirmed.

**3. Failure to Establish Internal Audit Unit and Audit Committee**

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

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

**4. Non-Automation of Hospital Processes**

Review of Hospital records and physical inspection revealed that Hospital operations were not automated and records were susceptible to damages and loss. In addition, billing, drugs receipt and issuance were manual. The manual systems had an effect on the turn-around time of hospital services which could affect service delivery.

In the circumstances, the efficiency and effectiveness in provision of service delivery could not be confirmed.

### 5. Failure to Maintain Fixed Asset Register

The Hospital Management 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.

### 6. Expiry of Medical Supplies

The statement of financial position does not disclose any inventory balance. Review of pharmaceuticals and non-pharmaceuticals inventory records revealed that thirty-seven (37) drugs units of undetermined value had expired. In addition, the stock cards used to issue drugs to various departments in the Hospital did not indicate the batch number and the expiry dates of the drugs. It was therefore difficult to establish whether the issuance of drugs was on First Expiry First Out (FEFO) basis.

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

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether 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 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 controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Hospital to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Hospital to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

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

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

**09 July, 2024**

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

| Description | Notes | 2021/22 |
|---|---|---|
| | | Kshs |
| **Revenue from non-exchange transactions** | | |
| Transfers from the County Government | 6 | 7,485,786 |
| In Kind Contributions from The County Government | 7 | 80,161,680 |
| **Total Revenue** | | **87,647,466** |
| **Expenses** | | |
| Medical/Clinical costs | 8 | 13,278,344 |
| Employee costs | 9 | 71,707,230 |
| Board of Management Expenses | 10 | 450,200 |
| Repairs and maintenance | 11 | 308,731 |
| General expenses | 12 | 1,595,278 |
| **Total expenses** | | **87,339,783** |
| **Other gains/(losses)** | | |
| Gain on disposal of non-current assets | | - |
| Medical service contracts Gain/losses | | - |
| Impairment loss | | - |
| **Total other gains(Losses)** | | - |
| **Net surplus for the year** | | **307,683** |

The notes set out on pages 8 to 34 form an integral part of the Annual Financial Statements
The Hospital's financial statements were approved by the Board on 26/05/2021 and signed on its behalf by:

AMKoma ..............................

**Chairman**

**Board of Management**

..............................

**Head of Finance**
**ICPAK NO.27397**

..............................

**Medical Superintendent**

## XIV. Statement of Financial Position as at 30 June 2022

| Description | Notes | 2021/22 |
|---|---|---|
| | | Kshs |
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents | 13 | 175,483 |
| Receivables From Exchange Transactions | 14 | 157,780 |
| **Total Current Assets** | | **333,263** |
| **Total assets** | | **333,263** |
| | | |
| **Liabilities** | | |
| **Current liabilities** | | |
| Trade And Other Payables | 15 | 3,103 |
| **Total Current Liabilities** | | **3,103** |
| **Non-current liabilities** | | - |
| | | |
| **Total Non-current liabilities** | | - |
| **Total Liabilities** | | **(3,103)** |
| | | |
| **Net assets** | | **330,160** |
| **Balance brought Forward** | | **22,477** |
| Revaluation reserve | | - |
| Accumulated surplus/Deficit | | 307,683 |
| Capital Fund | | - |
| **Total Net Assets and Liabilities** | | **330,160** |

The notes set out on pages 8 to 34 form an integral part of the Annual Financial Statements
The Hospital's financial statements were approved by the Board on 20/05/2024 and signed on its behalf by:

| | | |
|---|---|---|
| ................................. | ................................. | ................................. |
| **Chairman** | **Head of Finance** | **Medical Superintendent** |
| **Board of Management** | **ICPAK No:27397** | |

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

| | Revaluation reserve | Accumulated surplus/Deficit | Capital Fund | Total |
|---|---|---|---|---|
| **As at July 1, 2020** | - | - | - | - |
| Revaluation gain | - | - | - | - |
| Surplus/*(deficit)* for the year | - | - | - | - |
| Capital/Development grants | - | - | - | - |
| **As at June 30, 2021** | - | - | - | - |
| | | | | |
| **At July 1, 2021** | - | - | - | - |
| Revaluation gain | - | - | - | - |
| Surplus/(deficit) for the year | - | 307,683 | - | 307,683 |
| Capital/Development grants | - | - | - | - |
| **At June 30, 2022** | - | **307,683** | - | **307,683** |

The notes set out on pages 8 to 34 form an integral part of the Annual Financial Statements
The Hospital's financial statements were approved by the Board on 20/05/2024 and signed on its behalf by:

| | | |
|---|---|---|
| ................................ | ................................ | ................................ |
| **Chairman**<br>**Board of Management** | **Head of Finance**<br>**ICPAK No:27397** | **Medical Superintendent** |

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

| Description | Note | 2021/22 |
|---|---|---|
| | | Kshs |
| **Cash flows from operating activities** | | |
| **Receipts** | | |
| Transfers from the County Government | 6 | 7,485,786 |
| In Kind Contributions from The County Government | 7 | 80,161,680 |
| **Total Receipts** | | **87,647,466** |
| | | |
| **Payments** | | |
| Medical/Clinical costs | 8 | 13,278,344 |
| Employee costs | 9 | 71,707,230 |
| Board of Management Expenses | 10 | 450,200 |
| Repairs and maintenance | 11 | 308,731 |
| General expenses | 12 | 1,595,278 |
| **Total Payments** | | **(87,339,783)** |
| Working capital | | |
| Increase in receivables | | (157,780) |
| Increase in Payables | | 3,103 |
| **Net cash flows from operating activities** | 16 | **153,006** |
| **Cash flows from investing activities** | | |
| Purchase of property, plant, equipment, & intangible assets | | - |
| Proceeds from the sale of property, plant, and equipment | | - |
| Acquisition of investments | | - |
| **Net cash flows used in investing activities** | | - |
| **Cash flows from financing activities** | | |
| Proceeds from borrowings | | - |
| Repayment of borrowings | | - |

| | | |
|---|---|---|
| Capital grants received | | - |
| **Net cash flows used in financing activities** | | - |
| **Net increase/(decrease) in cash and cash equivalents** | | **153,006** |
| Cash and cash equivalents at 1 July | 13 | 22,477 |
| **Cash and cash equivalents at 30 July** | 13 | **175,483** |

The notes set out on pages 8 to 34 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 20/03/2024 and signed on its behalf by:

| | | |
|---|---|---|
| **Chairman** | **Head of Finance** | **Medical Superintendent** |
| **Board of Management** | **ICPAK No:27397** | |

## XVII. Statement Of Comparison of Budget and Actual Amounts For The Year Ended 30 June 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 | 7,485,786 | - | 7,485,786 | 7,485,786 | - | 100% |
| In Kind Contributions from The County Government | 80,161,680 | - | 80,161,680 | 80,161,680 | - | 100% |
| **Total income** | **87,647,466** | - | 87,647,466 | **87,647,466** | - | 100% |
| **Expenses** | | | | | | |
| Medical/Clinical costs | 13,385,236 | - | 13,385,236 | 13,278,344 | 106,892 | 99% |
| Employee costs | 71,707,230 | - | 71,707,230 | 71,707,230 | - | 100% |
| Remuneration of directors | 455,000 | - | 455,000 | 450,200 | 4,800 | 99% |
| Repairs and maintenance | 400,000 | - | 400,000 | 308,731 | 91,269 | 77% |
| General expenses | 1,700,000 | - | 1,700,000 | 1,595,278 | 104,722 | 94% |
| **total expenses** | **87,647,466** | - | 87,647,466 | 87,339,783 | - | 100% |
| **Surplus/deficit for the year** | - | - | - | 307,683 | 307,683 | |

The notes set out on pages 8 to 34 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 24/05/2024 and signed on its behalf by:

| | | |
|---|---|---|
| ………………………… | ………………………… | ………………………… |
| **Chairman** | **Head of Finance** | **Medical Superintendent** |
| **Board of Management** | **ICPAK No:27397** | |

## XVIII. Notes To the Financial Statements

### 1. General Information

Chepareria sub county hospital is established by and derives its authority and accountability from West Pokot county Facility improvement fund (FIF) Act enacted on 10th June 2019. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is provision of quality health services

### 2. Statement Of Compliance And Basis Of Preparation

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

The financial statements have been prepared in accordance with the PFM Act, and *(include any other applicable legislation)*, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

### 3. Adoption of New and Revised Standards

IPSASB deferred the application date of standards from 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.

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

| Standard | Effective date and impact: |
|---|---|
| **IPSAS 41:** Financial Instruments | **Applicable: 1st January 2023:**<br>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.<br>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:<br>• 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;<br>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and<br>• 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. |
| **IPSAS 42:** Social Benefits | **Applicable: 1st January 2023**<br>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:<br>(a) The nature of such social benefits provided by the Entity;<br>(b) The key features of the operation of those social benefit schemes; and |

| | |
|---|---|
| | (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows. |
| Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments | **Applicable: 1st January 2023:**<br>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.<br>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.<br>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.<br>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. |
| Other improvements to IPSAS | ***Applicable 1st January 2023***<br>• *IPSAS 22 Disclosure of Financial Information about the General Government Sector.*<br>Amendments to refer to the latest System of National Accounts (SNA 2008).<br>• *IPSAS 39: Employee Benefits*<br>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.<br>• **IPSAS 29: Financial instruments: Recognition and Measurement**<br>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023. |
| IPSAS 43 | ***Applicable 1st January 2025***<br>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an |

| | |
|---|---|
| | Entity.<br>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***<br>The Standard requires,<br>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 od such assets to cease and:<br>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**

The entity did not early – adopt any new or amended standards in the year 2021/22

## 4. Summary Of Significant Accounting Policies

### a) Revenue recognition

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

**Transfers from other Government entities**

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

**Revenue from exchange transactions**

**Rendering of services**

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

**Sale of goods**

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

**Interest income**

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

**Dividends**

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

**Rental income**

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

**b) Budget information**

The original budget for FY 2021-2022 was approved by Board on 12TH April 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. There were no additional appropriations. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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

**c) Taxes**

**Sales tax/ Value Added Tax**

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

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

**d) Investment property**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a period of ***xxx*** years. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

**e) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts

as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

**f) Leases**

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

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

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

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

**g) Intangible assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the

date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite

**h) Research and development costs**

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

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

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

**i) Financial instruments**

**Financial assets**

**Initial recognition and measurement**

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

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

**Loans and receivables**

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

**Held-to-maturity**

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

**Impairment of financial assets**

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

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

**Financial liabilities**

**Initial recognition and measurement**

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

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

**Loans and borrowing**

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

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

**i) Inventories**

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

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

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

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

**j) Provisions**

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

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

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

**Contingent liabilities**

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

**Contingent assets**

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

**k) Nature and purpose of reserves**

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

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

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

**m) Employee benefits**

**Retirement benefit plans**

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the

current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump-sum payments or increased future contributions on a proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**Foreign currency transactions**

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

**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**

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

**p) Service concession arrangements**

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

**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 impress and advances to authorise public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**q) Comparative figures**

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

**r) Subsequent events**

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

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

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

**Estimates and assumptions**

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

**Useful lives and residual values**

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

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

**Provisions**

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

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

**Notes to the Financial Statements**

**6(a). Transfers From The County Government**

| Description | 2021/22 |
|---|---|
| | KShs |
| **Unconditional grants** | |
| Level 4 grants | 7,485,786 |
| **Total County Government grants and subsidies** | **7,485,786** |

**6(b). Transfers from The County Government**

| Name of the Entity sending the grant | Amount recognized to Statement of financial performance KShs | Amount deferred under deferred income KShs | Amount recognised in capital fund. | Total grant income during the year |
|---|---|---|---|---|
| | | | KShs | KShs |
| West pokot County Government | 7,485,786 | - | - | - |
| **Total** | **7,485,786** | - | - | - |

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

| Description | 2021/22 |
|---|---|
| | KShs |
| Salaries and wages | 71,707,230 |
| Pharmaceutical and Non-Pharmaceutical Supplies | 8,454,450 |
| **Total grants in kind** | **80,161,680** |

**8. Medical cost**

| Description | 2021/22 |
|---|---|
| | KShs |
| Laboratory chemicals and reagents | 545,000 |
| Dressing and Non-Pharmaceuticals | 1,284,554 |
| Pharmaceutical supplies | 11,448,790 |
| **Total medical/ clinical costs** | **13,278,344** |

**9. Employee costs**

| Description | 2021/22 |
|---|---|
| | KShs |
| Salaries, allowances-P&P and contrated | 69,107,230 |
| wages for casuals | 2,600,000 |
| **Employee costs** | **71,707,230** |

**10. Board of Management Expenses**

| Description | 2021/22 |
|---|---|
| | KShs |
| Sitting allowance | 450,200 |
| **Total** | **450,200** |

**11. Repairs And Maintenance**

| Description | 2021/22 |
|---|---|
| | KShs |
| Property- Property and Machinery | - |
| Motor vehicle expenses | 99,925 |
| Maintenance of Building and stations | 208,806 |
| **Total repairs and maintenance** | **308,731** |

**12. General Expenses**

| Description | 2021/22 |
|---|---|
| | KShs |
| Advertising and publicity expenses | 100,000 |

| | |
|---|---|
| Catering expenses | 218,300 |
| Sanitary and cleaning materials | 295,300 |
| Food and ration | 319,200 |
| General office supplies | 142,170 |
| Bank charges | 21,314 |
| Daily Subsistance allowance | 107,000 |
| fuel and lubricants | 195,994 |
| purchase of furniture | 196,000 |
| **Total General Expenses** | **1,595,278** |
| | |

### 13. (a).Cash And Cash Equivalents

| Description | 2021/22 |
|---|---|
| | KShs |
| Current accounts | 175,483 |
| **Total cash and cash equivalents** | **175,483** |

### 13(b). Detailed Analysis of Cash and Cash Equivalents

| Description | | 2021/22 |
|---|---|---|
| Financial institution | Account number | KShs |
| a) **Current account** | | |
| Kenya Commercial bank | 1267071257 | 20,446 |
| Kenya Commercial bank | 1144925754 | 155,037 |
| **Total** | | **175,483** |

### 14. Receivables From Exchange Transactions

| Description | 2021/22 |
|---|---|
| | KShs |
| Medical services receivables | 157,780 |
| Less: impairment allowance | - |
| **Total receivables** | **157,780** |

## 15. Trade And Other Payables

| Description | FY 2021-2022 |
|---|---|
| | KShs |
| Trade payables | 3,103 |
| Employee dues | - |
| Third-party payments (*unremitted payroll deductions*) | - |
| Audit fee | |
| Doctors' fee | - |
| **Total trade and other payables** | **3,103** |

## 16. Cash Generated from Operations

| | 2021/22 |
|---|---|
| | KShs |
| **Surplus for the year before tax** | **307,683** |
| **Adjusted for:** | |
| Depreciation | - |
| Non-cash grants received | - |
| Impairment | - |
| Gains and losses on disposal of assets | - |
| Contribution to provisions | - |
| Contribution to impairment allowance | - |
| **Working Capital adjustments** | 307,683 |
| Increase in inventory | - |
| Increase in receivables | (157,780) |
| Increase in deferred income | - |
| Increase in payables | 3,103 |
| Increase in payments received in advance | - |
| **Net cash flow from operating activities** | **153,006** |

## 16. Trade And Other Payables

| Description | FY 2021-2022 |
|---|---|
| | KShs |
| Trade payables | 3,103. |
| Employee dues | - |
| Third-party payments (*unremitted payroll deductions*) | - |
| Audit fee | |
| Doctors' fee | - |
| **Total trade and other payables** | **3,103.** |

## 9. Financial Risk Management

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

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

### (i) Credit risk

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

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

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

### (ii) Liquidity risk management

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

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

**(iii) Market risk**

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

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

**a) Foreign currency risk**

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

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

**Foreign currency sensitivity analysis**

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

**Interest rate risk**

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

**Management of interest rate risk**

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

**Sensitivity analysis**

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of financial performance if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs xxx (20xx: KShs xxx). A rate increase/decrease of 5% would result in a decrease/increase in surplus of KShs xxx (20xx – KShs).

**iv)Capital Risk Management**

The objective of the entity's capital risk management is to safeguard the Hospital's ability to continue as a going concern. The entity capital structure comprises of the following funds:

**10. Related Party Balances**

**Nature of related party relationships**

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

**Government of Kenya**

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

i) The National Government;

ii) The Ministry of Health

iii) Key management;

iv) Board of directors;

## XIX. Appendices

### Appendix 1: Progress on Follow up Of Auditor Recommendations

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

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

**Guidance Notes:**

(i) Use the same reference numbers as contained in the external audit report.

(ii) Obtain the "Issue/Observation" and "management comments", required above, from the final external audit report that is signed by Management.

(iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible the for implementation of each issue.

(iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

……………………………………

**Accounting Officer**

**Appendix 2. Trial balance as 30thn June 2022.**

| | | |
|---|---|---|
| **CHEPARERIA SUB COUNTY LEVEL 4 HOSPITAL** | | |
| **REPORTS AND FINANCIAL STATEMENTS** | | |
| **FOR THE YEAR ENDED JUNE 30, 2022** | | |
| **AS OF 30/06/2022** | | |
| **TRIAL BALANCE** | | |
| **Description** | **DR** | **CR** |
| **Revenue from non-exchange transactions** | | |
| Transfers from the County Government | | 7,485,786 |
| In- kind contributions from the County Government | | 80,161,680 |
| Grants from donors and development partners | | - |
| **Total revenue** | | **87,647,466** |
| | | |
| **Expenses** | | |
| Medical/Clinical costs | 13,278,344 | |
| Employee costs | 71,707,230 | |
| Board of Management Expenses | 450,200 | |
| Repairs and maintenance | 308,731 | |
| General expenses | 1,595,278 | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| **CASH AND BANK BALANCES** | | |
| Kenya Commercial bank 1267071257 | 20,446 | |
| Kenya Commercial bank 1144925754 | 155,037 | |
| cash in hand | - | |
| **ACCOUNTS PAYABLE-** | | |
| Payables | | 3,103 |
| Prepayments | - | |

| | | |
|---|---|---|
| Receivables from exchange transactions | 157,780 | |
| Cash and Cash Equivalent balance c/d 2021/2022 | | 22,477 |
| | | |
| **TOTAL** | **87,673,046** | **87,673,046** |

**Appendix 3: Inter-Entity Confirmation Letter**

COUNTY GOVERNMENT OF WEST POKOT
DEPARTMENT OF HEALTH

MINISTRY OF HEALTH,
WEST POKOT COUNTY
P.O BOX222-30600,
KAPENGURIA.

**Telephone: 0736182216**
**Email:medsuntcsch@westpok**

CHEPARERIA SUB COUNTY HOSPITAL
*P.O BOX 63-30600*
*KAPENGURIA, KENYA*

The Integrated Financial management information systems wishes to confirm the amounts disbursed to you as at 30th June 2022 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

**Confirmation of amounts received by Chepareria sub county hospital] as at 30th June 2022**

| | | Amounts Disbursed by [SC/SAGA/Fund] (KShs) as at 30th June 2022 | | | | | |
|---|---|---|---|---|---|---|---|
| Reference Number | Date Disbursed | Recurrent (A) | Development (B) | Inter–Ministerial (C) | Total (D)=(A+B+C) | Amount Received by [beneficiary entity] (KShs) as at 30th June 2022 (E) | Differences (KShs) (F)=(D-E) |
| | 7/7/2021 | | | | 215,000 | 215,000 | |
| | 23/9/2021 | | | | 131,000 | 131,000 | |
| | 14/12/2021 | | | | 4,352,000 | 4,352,000 | |
| | 31/3/2022 | | | | 497,000 | 497,000 | |
| | 2/7/2022 | | | | 1,978,000 | 1,978,000 | |
| Total | | | | | 7,175,000 | 7,175,000 | |

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

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

Name Mrs Domongole Jennipher Sign ............ Date 20/10/2022

## Appendix 4: Certificate of bank balance

CERTIFICATE OF BALANCE

KCB Bank Limited
(Incorporated in Kenya)

KCB KAPENGURIA

Certifying that the balance at the CREDIT OF CHEPAREIRA [illegible]

A/C [illegible]

at the close of business on 30 JUN 2022 was KES

TWENTY THOUSAND FOUR HUNDRED AND FORTY SIX

KES 20,446.00

Examined by

KCB BANK KENYA LTD.
Branch Manager
KAPENGURIA

Manager Service Quality & Compliance Branch Manager

## Appendix 5. Bank reconciliation

Cheked
chu
01/08/2022

**CHEPARERIA FIF OPE 1267071257**

KENYA COMMERCIAL BANK-KAPENGURIA BRANCH

**as at** 2021/22JUN 2022

| | | KSHS | KSHS | KSHS |
|---|---|---|---|---|
| Balance as per Bank certificate | | | | 20,446.00 |
| Less - | recorded in Bank Statement(Unpresented Cheques) | 3,103.00 | | |
| | 2. Receipts in Bank Statement not yet recorded in Cash Book | - | 3,103.00 | 3,103.00 |
| Add- | 3. Payments in Bank Statement not yet recorded in Cash Book | | | |
| | 4. Receipts in Cash Book not recorded in Bank Statement | - | - | - |
| | Bank Balance as per Cash Book | | | 17,343.00 |

| | Designation | | signature | Date |
|---|---|---|---|---|
| Prepared by | Accountant | | [signature] | 4/07/22 |
| Reviewed by | Head of Accounting | | [signature] | 4/07/22 |
| Approved by | Chief officer Finance | | | |

HOSPITAL ACCOUNTANT
CHEPARERIA ... HOSPITAL
04 JUL 2022
P. O. ... 30600,
KAPENGURIA

**RECORDED IN BANK STATEMENT ( UNPRESENTED CHEQUES**

| CHEQUE NO. | Date | PAYEE | AMOUNT |
|---|---|---|---|
| 83 | 22/06/22 | Vat | 3,103.00 |
| | b | | |
| | | TOTAL | 3,103.00 |

Signature

**2. RECEIPTS IN BANK STATEMENT NOT YET RECORDED IN CASH BOOK**

| DATE | DETAILS | AMUONT |
|---|---|---|
| | TOTAL | |

HEAD OF TREASURY ACCOUNTING
WEST POKOT COUNTY
P. O. Box 222-30600, KAPENGURIA.
Tel: 053-2014000-4
Email: gwestpokotcounty@live.com
Email: info@westpokot.go.ke
www: westpokot.go.ke

**3. PAYMENTS IN BANK STATEMENT NOT YET RECORDED IN CASH BOOK**

| DATE | PAYMENT | DETAILS | AMOUNT |
|---|---|---|---|
| | TOTAL | | - |

**4. RECEIPTS IN CASH BOOK NOT YET RECORDED IN BANK STATEMENT**

| DATE | DETAILS | AMOUNT |
|---|---|---|
| | TOTAL | - |