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REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

KERICHO COUNTY REFERRAL HOSPITAL

FOR THE YEAR ENDED 30 JUNE, 2022

COUNTY GOVERNMENT OF KERICHO

HARAMBEE

COUNTY GOVERNMENT OF KERICHO

KERICHO COUNTY REFFERRAL HOSPITAL
Level 5 HOSPITAL
(Kericho County Government)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2022

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

Table of Contents

II. Key Entity Information and Management

a. Background information

Kericho County Referral Hospital is a level (5) hospital established under gazette notice number xxx and is domiciled in Kericho County under the health Department. The hospital is governed by a hospital management team.

b. Principal Activities

The principal activity/mission/ mandate of the *hospital* is to ensure there is quality health services to the public because a healthy nation is a rich nation.

c. Key Management

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

- County department of health
- Hospital management team
- Accounting Officer/ Medical Superintendent

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	**Dr Japheth Cheruiyot.**
2.	Head of finance	**Ezra Kirui.**
3.	Procurement	**Claire Cherotich.**

(a) Entity Headquarters

P.O. Box 11,20200
Kericho
KENYA

(b) Entity Contacts

Telephone: (+254) 734758-102
E-mail:kerichodistricthospital@gmail.com

(c) Entity Bankers

Bank Name: Kenya Commercial Bank.
Branch: Kericho Branch.
Bank Account Name: Kericho District Hospital.
Bank Account Number: **1153047764**

(d) Independent Auditors

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

(e) Principal Legal Adviser

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

(f) County Attorney

P.O. Box. 112
Kericho, Kenya

III. Statement of Hospital Management Team.

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

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

The health management team accepts responsibility for the hospital's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the HMT members are of the opinion that the hospital financial statements give a true and fair view of the state of hospital transactions during the financial year ended June 30, 2022 and of the Hospital financial position as at that date. The HMT members further confirm the completeness of the accounting records maintained for the hospital which have been relied upon in the preparation of the hospital financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Hospital's financial statements were approved by the health management team on 30/09/2022 and signed on its behalf by:

....

Name:
MEDICAL SUPERITENDET

KERICHO COUNTY REFERRAL HOSPITAL

Name:
CHIEF OFFICER
HEALTH SERVICES

IV. Report of The Hospital Management Team.

The Hospital Management Team 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 Kericho County Referral Hospital is the provide healthcare services to the public. It's a non-profit organisation.

Results

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

Hospital Management Team

The all members of the Hospital Management Team who served during the financial year 2021/2022 are as follows.

No.	Designation	Name
1.	Medical Superintendent	**Dr Japheth Cheruiyot**
2.	Deputy Medical Superintendent	**Dr Jane Tum**
3.	Head of finance	**Ezra Kirui**
4.	Head of Supply Chain	**Claire Cherotich**
5	Pharmacy Unit	**Dr Calvin Moseti**
6	Social Work	**Peter Bii**
7	Lab Manager	**Robert Sang**
7	Human Resource	**Hellen Bii**
8	Health Records	**Dorothy Moraa**
9	Nurse Manager	**Nancy Luvai**
10	Paediatrician	**Dr Risper Rono**
11	Surgeon	**Dr Nyongeza**
12	Gynaecologist	**Dr Philemon Letting**

REPUBLIC OF KENYA

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

OAG
OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON KERICHO COUNTY REFERRAL HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2022 - COUNTY GOVERNMENT OF KERICHO

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 Kericho County Referral Hospital - County Government of Kericho set out on pages 1 to 31, 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 the 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 the Kericho County Referral Hospital - County Government of Kericho as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Public Health Act, 2017.

Basis for Qualified Opinion

1. Inaccuracies in the Presentation and Disclosure of Financial Statements

The annual reports and the financial statements prepared and presented for audit reflected the followings errors and inaccuracies: -

1.1 The financial statements did not include the chairman's statement which highlights key activities during the year, successes consolidated, challenges being faced, and the way forward or future outlook for the hospital and should be signed by the chairman of the governing body.

1.2 The financial statements did not include the Chief Executive Officer's report. This is where the Medical Superintendent gives his report which highlights the same issues as the Chairman in a more detailed format and the report should be signed by the Medical Superintendent.

1.3 Management Discussion and Analysis did not include comprehensive information on Clinical/operational performance regarding;

- Bed capacity of the hospital
- Overall patient attendance during the year for both inpatient and outpatient.
- Accident and Emergency attendance
- Specialised clinic attendance
- Average length of stay for inpatient
- Bed occupancy rate
- Mortality rate
- Surgical theatre utilization (number of operations over a period of time)
- Sponsorships and partnerships

1.4 The financial statements did not include Environmental and Sustainability Reporting which includes the purpose, the driving force behind everything the entity does, what guides them to deliver their strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence.

1.5 The report of the health Management/Board of Management was not signed by the secretary to the Board.

1.6 The statement of the Board of Management responsibilities that includes approval of the financial statements was not signed by the chairperson to the Board of Management.

1.7 The Financial statements did not disclose the projects implemented by the entity in a table that summarizes the status of project completion at the end of each quarter, i.e. total costs incurred, stage in which the project is at.

1.8 The details of Note 12 and 13 to the financial statements have been interchanged. Receivables from exchange transactions, inventories and property, plant and equipment in the Notes to the financial statements were not numbered.

1.9 The statement of financial performance reflects a net surplus for the year of Kshs.23,947,476 which varies with surplus for the year of Kshs.113,002,617 as per the statement of changes in net asset resulting to an unexplained difference of Kshs.89,055,141.

1.10 The statement of financial position and statement of changes in net assets reflects capital fund of Kshs.35,536,497 while the statement of cash flows reflects Kshs.Nil in respect of capital grants received. The resulting difference has not been explained.

1.11 The statement of financial performance and statement of cash flows reflects employment costs of Kshs.11,122,560 which varies with the amount of Kshs.35,809,956 as disclosed in Note 10 to the financial statements. The resultant difference of Kshs.24,687,396 has not been explained.

1.12 The statement of cash flow does not reflect working capital adjustments and the reported balances have not been referenced by way of Notes to the financial statements. Cash flow from operations in the un numbered Note to the financial statement reflects deficit for the year of Kshs.462,479 which differs with the surplus for the year of Kshs.23,947,476. The resultant difference of Kshs.24,409,955 has not been explained or reconciled.

1.13 The un numbered cash flow from operations Note reflects increase in receivables amount of Kshs.1,411,267 which varies with the increase amount of Kshs.76,076,537 in the statement of financial position.

In the circumstances, the accuracy, completeness, presentation and disclosure of the financial statements could not be confirmed and does not comply with the requirements of the IPSAS and Public Sector Accounting Standards Board.

2. Long Outstanding Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs.76,076,537 as disclosed in Note 15 to the financial statements. Review of records revealed that included in the balance is an amount of Kshs.42,452,815 which has been outstanding for over one (1) year and Management did not provide evidence to indicate mechanisms put in place to recover these long overdue debts.

In the circumstances, the accuracy and recoverability of receivables from exchange transactions of Kshs.42,452,815 as at 30 June, 2022 could not be confirmed.

3. Unexplained Variance in the Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects total budgeted expenditure of Kshs.229,200,000 and actual expenditure of Kshs.263,995,411, resulting in an over-expenditure of Kshs.24,795,411 (or 15% above the budget). Further, the actual expenditure reflected of Kshs.394,692,233 which when casted reflects Kshs.263,995,411 leading to unreconciled and unexplained variance of Kshs.130,696,822.

In the circumstances, the accuracy and completeness of total actual expenditure figure of Kshs.394,692,233 for the year ended 30 June, 2022 could not be confirmed.

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

During the year under review, the Hospital Management Committee to oversee administration, promote the development, approve plans, programs, and estimates of the Hospital had not been constituted. This was contrary to Section 9(1) of the Kericho County Health Services Act, 2021 which states that the County Executive Committee Member for Health shall appoint the Hospital Committee consisting of nine (9) members.

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

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

Review of hospital records and interviews revealed the following deficiencies in staff, services and equipment: -

i. Only one hundred and forty-two (142) staff were in establishment against the required three hundred and twenty-three (323) staff in seven (7) positions, resulting to unexplained variance of one hundred and thirty-six (136).

ii. The Hospital had only four (4) functional intensive care unit beds and two (2) high dependency unit beds instead of twelve beds for each.

iii. There were only three (3) theatres instead of seven (7) while beds were only two hundred and seventy (270) instead of five hundred (500).

iv. The maternity ward has only three (3) delivery coaches instead of six (6), new born incubators were six (6) instead of ten (10) and there were no new born HDU cots instead of the required six (6).

These deficiencies contravene the First Schedule of Health Act, 2017 and hence implies that accessing highest attainable standard of health, which includes the right to health care services, including reproductive health care as required by Article 43(1) of the Constitution of Kenya, 2010 may not be achieved. Further this contravened the Kenya Quality Model for Health Policy Guidelines and hindered the realization of the government program on Universal Health Coverage (UHC).

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

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements 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 overall governance were not effective.

Basis for Conclusion

1. Lack of an Internal Audit Function

During the year under review, Management did not have an internal audit function and no risk assessment was performed. This was contrary to Section 155(5) of Public Finance Management Act, 2012 which stipulates that a county government entity shall maintain internal auditing arrangements, and shall ensure that it complies with this Act and (a) has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board was not followed.

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

2. Lack of Policies and Manuals

During the year under review, Management had not established Key policies and manuals including Human Resource Policy and Procedures Manual, Finance and Accounting Manual, Assets Management Policy, Transport Management Policy, Risk Management Policy, Business continuity policy among others

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

3. Failure to Maintain Asset Register

During the under review, Management did not a maintain a fixed asset register detailing dates of acquisition, location, depreciation, unique identification number, disposal among other details.

In the circumstances, the effectiveness of internal controls on maintaining of fixed asset register 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 control, 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 Hospital Management Committee

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

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

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

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

The Hospital Management Committee 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 controls would not necessarily disclose all matters in the internal controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal controls components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

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

CPA Nancy Gathungu, CBS
<u>AUDITOR-GENERAL</u>

Nairobi

27 September, 2023

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

Description	Notes	2021/22 Kshs	2020/21 Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	6	23,994,437.00	-
In- kind contributions from the County Government	7	138,389,780.00	-
		162,384,217.00	-
Revenue from exchange transactions			-
Rendering of services- Medical Service Income	8	256,255,492.00	-
Revenue from exchange transactions		256,255,492.00	-
Total revenue		**418,639,709.00**	-
			-
Expenses			-
Medical/Clinical costs	9	161,180,594.00	-
Employee costs	10	11,122,560.00	-
Repairs and maintenance	11	5,833,131.00	-
Grants and subsidies (FIF Transfer)	12	137,974,262.00	-
General expenses	13	78,581,686.00	-
Total expenses		**394,692,233.00**	-
Other gains/(losses)			-
Gain on foreign exchange transactions		-	-
Total other gains/(losses)		-	-
Net Surplus for the year		**23,947,476.00**	-

The Hospital's financial statements were approved by the Board on ________________ and signed on its behalf by:

....	....	....
CHIEF OFFICER HEALTH SERVICES	**Head of Finance**	**Medical Superintendent**
	ICPAK No.31573	

VI. Statement of Financial Position as of 30th June 2022

Description	Notes	2021/22 Kshs	2020/21 Kshs
Assets			
Current assets			
Cash and cash equivalents	14	4,350,288.10	-
Receivables from exchange transactions	15	**76,076,537**	-
Inventories	16	19,587,280.00	-
Total Current Assets		**100,014,105.1**	-
Non-current assets			
Property, plant, and equipment	17	89,713,443.00	-
Intangible assets	18	-	-
Total Non-current Assets		-	-
Total assets		**189,727,548.00**	-
Liabilities			
Current liabilities			
Trade and other payables	19	41,188,434.00	-
Total Current Liabilities		**41,188,434.00**	-
Non-current liabilities		-	
Total Non-current liabilities		-	-
Total Liabilities		**41,188,434.00**	-
Net assets		**148,539,114.00**	
Revaluation reserve		-	-
Accumulated surplus/Deficit		113,002,617.00	-
Capital Fund		**35,536,497.10**	-
			-
Total Net Assets and Liabilities		**148,539,114.00**	-

The Hospital's financial statements were approved by the Board on __________________ and signed on its behalf by:

…………..	……………………………………………	……………………………………………
Chief Officer Health Services	**Head of Finance ICPAK No: 31573**	**Medical Superintendent**

VII. 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	-	113,002,617	-	113,002,617
Capital/Development grants	-	-	**35,536,497.10**	**35,536,497.10**
At June 30, 2022	-	113,002,617	**35,536,497.10**	**148,539,114.1**

The Hospital's financial statements were approved by the Health management team on ________________ and signed on its behalf by:

Chief Officer	**Head of Finance**	**Medical Superintendent**
Health Services	**ICPAK No: 31573**	

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

Description	Note	2021/22 Kshs	2020/21 Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government		23,994,437.00	-
Rendering of services- Medical Service Income		220,387392.00	-
Total Receipts		**244,381,829**	-
			-
Payments			
Medical/Clinical costs		161,180,594.00	-
Employee costs		11,122,560.00	-
Repairs and maintenance		5,833,131.00	-
General expenses		78,581,686.00	-
Total Payments		**246,255,575**	-
Net cash flows from operating activities	20	**(1,873,746)**	-
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		**(0)**	-
Net increase/(decrease) in cash and cash equivalents		**(1,873,746)**	-
Cash and cash equivalents at 1 July 2021	21	6,224,037.10	-
Cash and cash equivalents at 30 June 2022	22	4,350,288.10	-

………………………………… ………………………………… …………………………………

Chairman
Board of Management

Head of Finance
ICPAK No: 31573

Medical Superintendent

IX. 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						
In- Kind Contributions from the county government	113,979,825			113,979,825		
Transfers from the County Government	23,994,437	-	-	23,994,437	-	-
Rendering of services- Medical Service Income	256,255,492	-	-	256,255,492	-	-
Total income	**394,229,754**	-	-	**394,229,754**	-	-
Expenses						
Medical/Clinical costs	91,000,000	35,000,000	126,000,000	161,180,594	-	-
Employee costs	18.400.000	-	18.400.000	18.400.000	-	-
Repairs and maintenance	10,500,000	-	10.500.000	5,833,131		-
General expenses	73,300,000	1,000,000	74,300,000	78,581,686		-
Surplus for the period	**193,200,000**	**36,000,000**	**229,200,000**	**394,692,233**		-
Capital expenditure						-

X. Notes To the Financial Statements

1. General Information

Kericho County Referral Hospital is established by and derives its authority and accountability from Kericho County Government Act. The entity is wholly owned by the County Government of Kericho and is domiciled in Kenya. The entity's principal activity is giving health care services to Kenyan.

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 *entity's* accounting policies. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *entity*.

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

3. Adoption of New and Revised Standards

IPSASB deferred the application date 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.

Notes to the Financial Statements (Continued)

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:** 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. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	**Applicable: 1st January 2023** 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: (a) The nature of such social benefits provided by the Entity; (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**: 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. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. 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*** • *IPSAS 22 Disclosure of Financial Information about the General Government Sector.* Amendments to refer to the latest System of National Accounts (SNA 2008). • *IPSAS 39: Employee Benefits* Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • **IPSAS 29: Financial instruments: Recognition and Measurement** 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*** 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. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	***Applicable 1st January 2025*** The Standard requires, 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: 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 2021/2022

1. 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.

Notes to the Financial Statements (Continued)

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.

Notes to the Financial Statements (Continued)

a. Budget information

The original budget for FY 2021- 2022 was approved by Hospital Management Team . 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 relevant section of these financial statements.

b. 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.

c. 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.

a) 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.

Notes to the Financial Statements (Continued)

b) 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.

c) 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

d) 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.

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.

Notes to the Financial Statements (Continued)

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.

Notes to the Financial Statements (Continued)

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.

Notes to the Financial Statements (Continued)

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.

Notes to the Financial Statements (Continued)

n) 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.

o) 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.

p) 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.

q) 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.

Notes to the Financial Statements (Continued)

r) Cash and cash equivalents

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

s) Comparative figures

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

t) 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.

1. 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)

Notes to the Financial Statements (Continued)

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.

(Include provisions applicable for your organisation e.g provision for bad debts, provisions of obsolete stocks and how management estimates these provisions).

Notes to the Financial Statements (Continued)

2. 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. KShs	Total grant income during the year KShs	Total 2020/21 KShs
Kericho County Government	23,994,437.00	-	-	-	23,994,437.00
Total	23,994,437.00	-	-	-	23,994,437.00

7.In Kind Contributions from The County Government

Description	2021/22 KShs	2020/21 KShs
Salaries and wages	35,809,955.55 .00	-
Pharmaceutical, Non-Pharmaceutical Supplies and others	102,579,825.00	-
Total grants in kind	138,389,780.00	-

(This are the payments made by the county on behalf of the hospital)

Notes to the Financial Statements (Continued)

8.Rendering of Services-Medical Service Income

Description	2021/22 KShs	2020/21 KShs
Pharmaceuticals	16,477,011	-
Non-Pharmaceuticals	5,230,667	-
Laboratory	22,845,873	-
Radiology	15,347,554	-
Orthopedic and Trauma Technology	16,600	-
Theatre	3,055,863	-
Accident and Emergency Service	1,087,535	-
Ear Nose and Throat service	465,400	-
Nutrition service	51,900	-
Dental services	1,488,900	-
Reproductive health	95,250	-
Paediatrics services	4,059,615	-
Farewell home services	1,666,200	-
Other medical services income	38,724,941	-
NHIF	145,642,183	-
Total revenue from the rendering of services	256,255,492	-

9. Medical/ Clinical Costs

Description	2021/22 KShs	2020/21 KShs
Laboratory chemicals and reagents	26,366,587.00	-
Uniform, clothing. and linen	2,208,750.00	-
Dressing and Non-Pharmaceuticals	74,273,591.00	-
Pharmaceutical supplies	43,849,945.00	-
Purchase of Medical gases	5,999,645.00	-
X-Ray/Radiology supplies	8,482,076.00	-
Total medical/ clinical costs	161,180,594.00	-

10. Employee Costs

Description	2021/22 KShs	2020/21 KShs
Salaries, wages, and allowances	35,809,955.55	-
Employee costs	35,809,955.55	-

(This are the salaries paid by the county for Kericho county referral Hospital staffs)

Notes to the Financial Statements (Continued)

11. Repairs And Maintenance

Description	2021/22 KShs	2020/21 KShs
Property- Buildings	4,127,290.00	-
Office equipment	427,272.00	-
Computers and accessories	1,278,569.00	-
Total repairs and maintenance	**5,833,131.00**	-

XI.

12. General Expenses

Description	2021/22 KShs	2020/21 KShs
Catering expenses	29,730,025.00	-
Contracted services	19,059,624.00	-
Electricity expenses	16,187,456.00	-
Travel and accommodation allowance	607,800.00	-
Printing and stationery	7,401,291.00	-
Water and sewerage costs	4,495,510.00	-
Telephone and mobile phone services	100,000.00	-
Fuel	999,980.00	-
Total General Expenses	**78,581,686.00**	-

13. Grants and subsidies

Description	2021/22 KShs	2020/21 KShs
Tansfer to county revenue fund account	137,974,262.00	-
Total Grants and subsidies	137,974,262.00	-

(This are the revenues transferred to the county)

14.Cash And Cash Equivalents

Description	2021/22 KShs	2020/21 KShs
Current accounts	4,350,288.10	**6,224,037.10**
Total cash and cash equivalents	4,350,288.10	**6,224,037.10**

Notes to the Financial Statements (Continued)

14.(a) Detailed Analysis of Cash and Cash Equivalents

Description Financial institution	Account number	2021/22 KShs	2020/21 KShs
a) **Current account**			
Kenya Commercial bank	1153047764	4,350,288.10	**6,224,037.10**
Sub- total		-	-
b) On - call deposits			
Kenya Commercial bank		-	-
Equity Bank – etc		-	-
Sub- total		-	-
c) Fixed deposits account			
Bank Name		-	-
Sub- total		-	-
d) Others(*specify*)		-	-
cash in hand		-	-
Mobile money- Mpesa, Airtel money		-	-
Sub- total		-	-
Grand total		4,350,288.10	**6,224,037.10**

XII.

Receivables From Exchange Transactions

Description	2021/22 KShs	2020/21 KShs
Medical services receivables(NHIF)	59,619,859	-
Medical services receivables(commitments)	16,456,678	-
Total receivables	**76,076,537**	-

Notes to the Financial Statements (Continued)

Inventories

Description	2021/22 KShs	2020/21 KShs
Pharmaceutical supplies	10,733,945.00	-
Renal supplies	1,690,500.00	-
Non- Pharmaceutical supplies od supplies	7,172,835.00	-
Total	**19,597,280.00**	-

Notes to the Financial Statements (Continued)

Property, Plant and Equipment

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
	Shs		Shs	Shs	Shs	Shs	Shs	Shs
Cost								
At 1July 2020	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfers	1,601,208.00	78,456,000	-	7,090,750.00	672,949.00	1,892,536.00	-	89,713,443
At 30th June 2021	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
At 1st July 2021	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-
At 30th June 2022	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Depreciation and impairment	-	-	-	-	-	-	-	-
At 1July 2020	-	-	-	-	-	-	-	-
Depreciation for the year	-	-	-	-	-	-	-	-

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
Disposals	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
At 30 June 2021	-	-	-	-	-	-	-	-
At July 2021	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-	-
At 30th June 2022	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Net book values	-	-	-	-	-	-	-	-
At 30th June 2021	-	-	-	-	-	-	-	-
At 30th June 2022	1,601,208.00	78,456,000	-	7,090,750.00	672,949.00	1,892,536.00	-	**89,713,443**

Notes to the Financial Statements (Continued

Trade And Other Payables

Description	2021/22 KShs	2020/21 KShs
Trade payables	41,188,434.00	-
Total trade and other payables	41,188,434.00	-

Cash Generated from Operations

	2021/22 KShs	2020/21 KShs
Surplus for the year before tax	**(462,479.00)**	
Adjusted for:	0	-
Depreciation	0	-
Non-cash grants received	0	-
Impairment	0	-
Gains and losses on disposal of assets	0	-
Contribution to provisions	0	-
Contribution to impairment allowance	0	-
Working Capital adjustments	0	
Increase in inventory	(0)	-
Increase in receivables	(1,411,267)	-
Increase in deferred income	0	-
Increase in payables	0	-
Increase in payments received in advance	0	-
Net cash flow from operating activities	(1,873,746)	-

Notes to the Financial Statements (Continued)

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:

Notes to the Financial Statements (Continued)

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2020				
Receivables from exchange transactions	-	-	-	-
Receivables from –non-exchange transactions	-	-	-	-
Bank balances	-	-	-	
Total	-	-	-	-
At 30 June 2022				
Receivables from exchange transactions	52,324,884.00	52,324,884.00	-	-
Receivables from –non-exchange transactions	-	-	-	-
Bank balances	4,350,288.10	4,350,288.10	-	-
Total	**56,675,172.1**	**56,675,172.1**	-	-

(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)

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

(ii) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2021				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation				
Total	-	-	-	-
At 30 June 2022				
Trade payables	-	41,188,434.00	-	41,188,434.00
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation		-		
Total	-	41,188,434.00	-	41,188,434.00