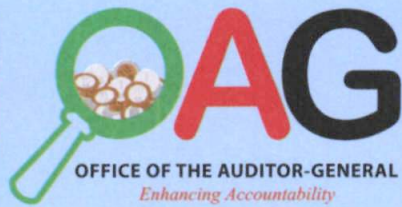


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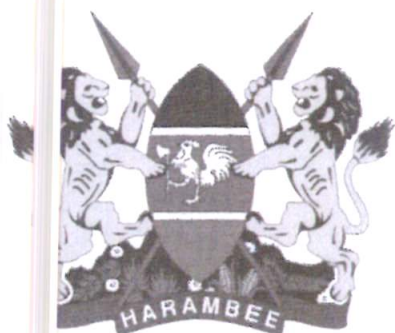
ON

FORT TERNAN SUB - COUNTY LEVEL 4
HOSPITAL

FOR THE YEAR ENDED
30 JUNE, 2025

COUNTY GOVERNMENT OF KERICHO

423



FORT-TERNAN SUB-COUNTY LEVEL 4 HOSPITAL **(County Government Kericho)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2025

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

Fort-Ternan sub-county Level 4 Hospital (Kericho County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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1. Acronyms & Glossary of Terms

CSR	Corporate Social Responsibility
OSHA	Occupational Health & Safety Act
PFMA	Public Financial Management Act
MED SUP	Medical Superintendent
Fiduciary Management	Key management personnel who have financial responsibility in the entity.
NHIF	National Hospital Insurance Fund
FIF	Facility Improvement Fund
AIE	Authority to Incur Expenditure
HMT	Hospital Management Team
SHA	Social Health Authority
CHMT	County Health Management Team
SCHMT	Sub-County Health Management Team

2. Key Entity Information and Management

(a) Background information

Fort-Ternan Sub-County Hospital is a Level 4 healthcare facility located in Kipkelion West Constituency, Kericho County. Established in 1968 as a dispensary, the facility was officially upgraded to Sub-County Hospital status in 2020 under the County Government's Health System Transformation Initiative. It was formally recognized through Gazette Notice Number Vol.CX XII– NO. 24, aligning it with the strategic goals of devolved healthcare service delivery in Kenya. The hospital is a public institution operating under key national and county legal frameworks including the County Governments Act, 2012, the Health Act, 2017, and the Public Finance Management Act, 2012. As part of Kericho County's Department of Health, Fort-Ternan Sub-County Hospital adheres to national Ministry of Health policies and County health service guidelines. It is governed by a Hospital Management Team (HMT) supported administratively by the Sub-County Health Management Team (SCHMT) and strategically overseen by the County Health Management Team (CHMT).

The facility provides 24-hour primary care services, upholding a mission centered on compassionate, affordable, and quality health services rooted in community values and Christian-minded services.

Mandate and Core Functions

Fort-Ternan Sub-County Hospital serves as the primary referral center for lower-tier facilities within Kipkelion West Sub- County and neighboring areas. The hospital's key functional areas during the 2024/2025 financial year included:

- Delivery of promotive, preventive, curative, and rehabilitative health services
- Provision of outpatient and inpatient care
- Maternal, neonatal, and child health services
- Minor surgical and emergency interventions
- Laboratory and pharmaceutical support
- Community health outreach, disease surveillance, and epidemic response
- Health information management and reporting for public health planning

Catchment Population

The hospital serves an estimated catchment population of approximately 16,358 people, primarily drawn from Chilchila Ward, and neighboring areas including Kunyak, Kamasian, and parts of Sigowet-Soin Sub-County.

Strategic Role in Health System

In FY 2024/2025, Fort-Ternan Sub-County Hospital played a pivotal role in advancing the County's agenda for Universal Health Coverage (UHC) by bringing essential services closer to the community and decongesting higher-level facilities like Kericho County Referral Hospital. The hospital also supported capacity building for community health promoters (CHPs) and functioned as a satellite training site for medical interns from local medical training colleges, thus contributing to the development of human resources for health.

(b) Principal Activities

The principal activity/mission/ mandate of the Hospital is to provide medical services, antenatal care, post-natal care, accidents and emergency response and receive patients on minor referral.

Mission

To provide the highest standard of health services by developing a health system that is technology driven, equitable, accessible and community oriented.

Vision

A healthy county population for economic development and quality life.

Core Values

Professionalism, ethics, integrity, accountability, partnership and collaboration

Goals

Efficient and effective health service delivery.

(c) Key Management

The Hospital's Management is under the following key organs:

- County department of health
- County Health Management Team
- Accounting Officer/ Facility in-charge
- Hospital Management Team

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30 June 2025 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Facility in-charge	Mr. Alfred Kiplagat Chesire
2.	Accountant	Mr. Benard Bii
3.	Supply chain management officer	Mr. Robert Bett
4.	Nursing service manager	Mr. Edwin Rono
5.	Pharmacist in-charge	Ms. Stella Chemutai
6.	Laboratory in-charge	Mr. Fred Tonui

(e) Fiduciary Oversight Arrangements

Fort-Ternan Sub-County Hospital operates within a robust fiduciary framework that ensures the prudent use of public resources, compliance with financial regulations, and continuous improvement in service delivery. The hospital's financial and operational performance is subject to multiple layers of oversight, spanning internal, county-level, and national oversight bodies. This integrated system ensures transparency, accountability, and alignment with the broader goals of public financial management and healthcare service delivery.

E.1 Clinical Research and Standards Team

The hospital adheres to clinical quality assurance mechanisms under the guidance of the Clinical Research and Standards Team, which ensures:

Fort-Ternan sub-county Level 4 Hospital (Kericho County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

- a) Compliance with clinical protocols and patient care standards.
- b) Ethical oversight on medical research or pilot programs conducted at the hospital
- c) Integration of evidence-based medical practices into hospital service.

This team indirectly supports financial accountability by ensuring that resources allocated to clinical care yield measurable, quality outcomes.

E.2 Audit Committee

The hospital is subject to periodic internal audits conducted by the County Internal Audit Directorate, and these reports are reviewed by the County Audit Committee. The Audit Committee provides:

- a) Independent assurance on the effectiveness of internal controls.
- b) Follow-up on implementation of audit recommendations
- c) Oversight on compliance with financial regulations and risk mitigation strategies

E.3 County Assembly Oversight

The hospital's budget and performance are embedded within the larger County Department of Health's budget, which is reviewed and approved by the Kericho County Assembly. The Assembly:

- a) Reviews annual budget estimates and supplementary allocations
- b) Assesses quarterly and annual budget implementation reports
- c) Conducts site visits and public participation hearings, particularly through its Health and Finance Committees

This ensures democratic oversight and responsiveness to local healthcare needs.

E.4 Parliamentary Oversight Committees

At the national level, the hospital's funding and use of public funds are subject to oversight by:

- a) The Public Accounts Committee (PAC) and the Senate Standing Committee on Health, especially where audit queries arise.
- b) The Controller of Budget and Office of the Auditor-General, which analyze spending trends and report to Parliament.

These entities may summon county officers or scrutinize hospital operations if flagged in audit or performance reports.

E.5 Other Oversight Mechanisms

In addition to the formal structures above, the hospital is subject to:

- a) Ethics and Anti-Corruption Commission (EACC) interventions, especially on procurement or HR irregularities
- b) Kenya Medical Practitioners and Dentists Council (KMPDC) inspections for quality assurance and licensing.

(f) **Entity Headquarters**
 P.O. Box 19-20209
 Fort-Ternan Sub-County Hospital
 Londiani - Muhoroni Highway
 FORT-TERNAN
 , KENYA

(g) **Entity Contacts**
 Telephone: (+254729930268)
 E-mail: fortternanhospital.go.ke

- (h) **Entity Bankers**
Commercial Banks
Kenya Commercial Bank limited (KCB)
Kericho branch

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

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

- (k) **County Attorney**
P.O. Box. 112-20200
Kericho, Kenya

3. The Board of Management

The process of appointing the hospital board of management is on-going.

4. Key Management Team

NO	MANAGEMENT	DETAILS
1	Mr. Alfred Kiplagat Chesire Hospital In-charge 	Mr. Alfred Kiplagat Chesire holds a diploma in clinical medicine & surgery from Kenya Medical Training centre and a registered member of clinical officer council as a Senior Registered Clinical Officer.
2	Mr. Benard Bii Head of Finance 	Mr. Benard Bii holds Bachelor's Degree in Business Management (Finance and Banking option), CPA-K, certificate in computer accounting (QuickBooks) and certificate in computer packages.
3	<i>Mr. Robert Bett</i> <i>Head of procurement</i> 	Mr Robert Bett Holds a Diploma in Procurement and Supply Chain Management.
4	Mr. Fred Benson Tonui Laboratory Department 	Mr. Fred Tonui holds Diploma in Medical Laboratory Technology Science from Kenya Medical Training College.

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5	Ms. Stella Chemutai Pharmacy Department 	Ms Stella Chemutai holds diploma in Pharmacy from Kenya Medical Training College.
6	Mr. Sospeter Cheruiyot Health Records Department 	Mr. Sospeter Cheruiyot holds Diploma in Health Records and Information from Kenya Medical Training College.
7	Mr. John Koskey Nutrition Department 	Mr. John Koskey holds Degree in Community Nutrition from Great Lakes University, Diploma in Community nutrition from Kenya Medical Training College.
8	Mr. Edwin Rono Nursing Service Manager 	Mr. Edwin Rono holds a Bachelor's degree in Nursing.
9	Mr. Vincent Korir Public Health Department 	Mr. Vincent Korir is a Diploma holder in Public Health from Kenya Medical Training College.

5. Chairman's Statement

The process of appointing the hospital board of management is on-going hence there was no chairman's statement.

6. Report of The Medical Superintendent

It is my pleasure to present the Medical Superintendent’s report accompanying financial statements for the year ended 30th June 2025. This report provides a summary of the hospital's financial performance, service delivery achievements, operational challenges, and strategic developments for the year under review.

6.1 Introduction and Facility Overview

Fort-Ternan Sub-County Hospital is a Level 4 health facility located in Chilchila Ward, Kipkelion West Sub-County, along the Londiani–Muhoroni highway, adjacent to Fort-Ternan Police Post. The hospital was initially established in 1968 as a dispensary and later upgraded to Sub-County Hospital status in 2020. It currently sits on 3.25 acres of land and serves as a key healthcare provider for the local and neighboring communities.

The hospital operates under the County Government of Kericho, primarily financed through own source revenue and budgetary support from the County. Local revenues are generated mainly from facility improvement fund, NHIF, AON and SHA reimbursements.

As at 30 June 2025, the facility had a catchment population of 16,358 and a bed capacity of 25, distributed across the male (9 beds), female (8 beds), and maternity (8 beds) wards.

6.2 Health Governance and Management

The hospital is managed by the Health Management Team (HMT) composed of departmental heads and led by the Hospital In-Charge. Governance and fiduciary oversight are exercised through collaboration with the Hospital Management Team (HMT), the County Department of Health, and oversight bodies such as the County Audit Committee.

6.3 Financial Performance

The hospital recorded a revenue increase of Kshs. 18,497,904 up from Kshs. 14,787,026 in the previous financial year. This growth was attributed to improved billing systems, expanded services, roll out of SHA coverage and the adoption of efficient collection mechanisms. The breakdown of revenues is in the table below:

Revenue Source	Amount (KES)	% of Total Revenue
SHA (Social Health Authority)	12,362,044	66.83%
NHIF	1,309,102	7.08%
AON Insurance	967,500	5.23%
Facility Improvement Fund	3,859,258	20.86%
Total Revenue	18,497,904	100%

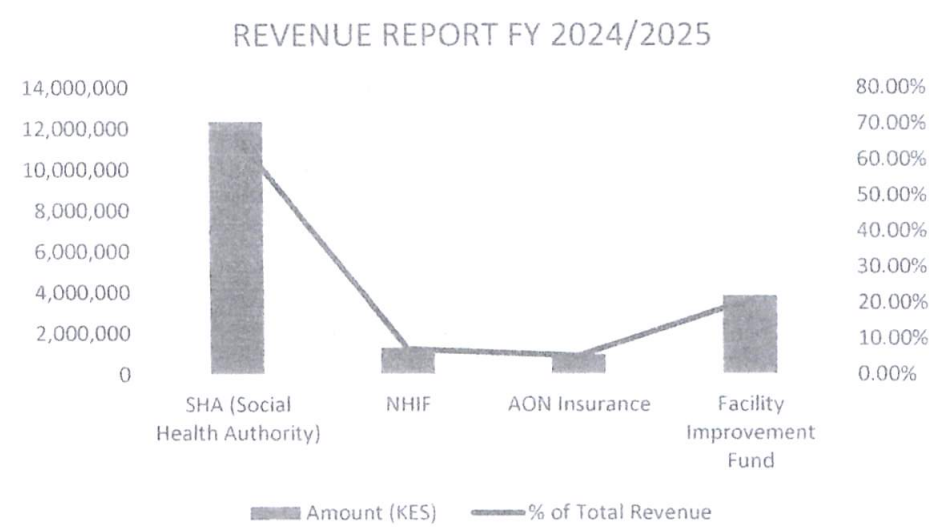


Fig 1: Ratio of revenue streams

The hospital registered a budget surplus of Kshs. 3,387,271, demonstrating prudent financial management, effective cost control, and improved absorption capacity.

6.4 Service Delivery and Workload

The hospital continued to deliver essential health services to the community. Average monthly workload across departments was as follows:

Department	Monthly Average Patients
Outpatient (OPD)	1,800
Inpatient (IP)	200
Maternity	100
Antenatal Clinic (ANC)	400
Postnatal Clinic (PNC)	500
Family Planning (FP)	100
Comprehensive Care Centre (CCC)	220
Total Monthly Workload	3,320

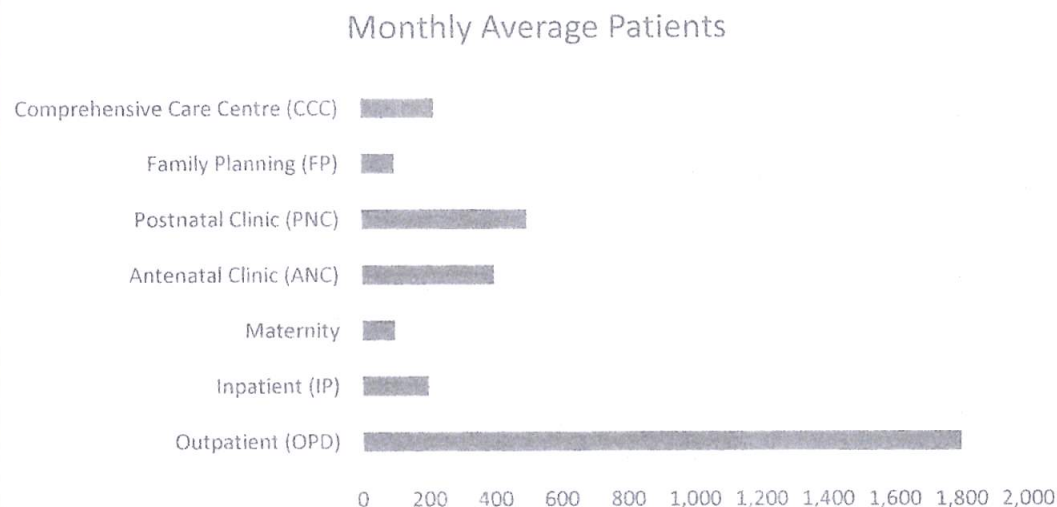


Chart 1: bar chart showing average monthly patient.

Efforts were made to maintain consistent supply of medicines and laboratory reagents, ensuring continuous availability of diagnostic and curative services.

6.5 Development Projects Implemented

To enhance the hospital's capacity and service delivery, the following projects were undertaken with the support of the County Executive:

- a) Construction of a Theatre: Structure completed; requires remodeling and equipping
- b) Construction of Laboratory: Functional.
- c) Surgical Wards: It is operational
- d) Septic Tank: Completed and in use
- e) Installation of Power Backup: 220KVA automatic generator installed.
- f) Ambulance Services: A functional Toyota Land Cruiser ambulance (Reg. No. 35CG010A) in place.
- g) Construction of Imaging Unit: Ongoing; expected to enhance diagnostics and revenue.
- h) Construction of Morgue: Ongoing; will ease community burden of transporting deceased to distant facilities.

6.6 Achievements

- a) Achieved a Kshs. 3,387,271 surplus, enhancing sustainability.
- b) Strengthened waste management through installation of a burning chamber.
- c) Improved sanitation and hospital cleanliness, including repair of grass-cutting tools and consistent provision of cleaning materials.
- d) Enhanced availability of non-pharmaceuticals, pharmaceuticals and laboratory services.
- e) Strengthened health data management and reporting compliance.

6.7 Challenges

Despite these successes, the hospital encountered several challenges:

6.7.1 Inadequate Infrastructure;

There is urgent need for:

- a) Construction of storage facilities for food and ration, linen, and medical drugs.
- b) Establishment of a centralized Health Records & Information Office.
- c) Improvement in land security through fencing, boundary demarcation, master planning, and formal land registration.

6.7.2 Human Resource Gaps

The facility has 52 staff against an approved establishment of 106, reflecting a shortfall of 54 personnel. This shortfall continues to strain operations and hinders full realization of Level 4 hospital functions.

Future Outlook; In the medium term, the hospital will prioritize Completion and equipping of the theatre, imaging, and morgue units, advocate for additional staff recruitment, infrastructure upgrades, Enhanced community outreach and health promotion, continuous improvement in billing systems and own source revenue performance.

6.7.3 Conclusion and Appreciation

On behalf of the Hospital Management Team (HMT), I wish to express my sincere gratitude to our dedicated staff, the County Executive, the County Assembly, development partners, and the community for their unwavering support. Their collective effort and partnership continue to propel Fort-Ternan Sub-County Hospital towards achieving our mission of providing quality, compassionate and affordable healthcare.

We remain committed to our vision of being a leading rural healthcare facility in the region and will continue to pursue sustainability, accountability, and excellence in service delivery.


.....

Mr. Alfred Chesire
Facility in charge - Fort-Ternan Sub-County Hospital
Kericho County

7. Statement of Performance Against Predetermined Objectives

The Hospital operates under the following Strategic pillars;

- Strategic Pillar 1: Provision of Quality and Affordable Healthcare Services
- Strategic Pillar 2: Strengthening of Health Systems and Infrastructure
- Strategic Pillar 3: Promotion of Community Health and Partnerships

The Hospital prepares its Annual Work Plans and budgets in alignment with the objectives and initiatives under these three pillars. The implementation of the Annual Work Plan is monitored on a quarterly basis through structured performance reviews, which assess progress against key indicators and targets.

During the financial year 2024/2025, the Hospital achieved significant milestones across its strategic pillars:

Pillar	Strategic Pillar/Theme/Issue	Objective	Key Performance Indicators (KPIs)	Activities	Achievements
1.	Access to Quality Health Services	Improve outpatient and inpatient service delivery	OPD attendance (monthly) - Inpatient admissions (monthly)	Routine outpatient & inpatient care - Emergency services - Referral coordination	OPD: 1,800/month Inpatient: 200/month
2.	Maternal, Neonatal & Child Health	Enhance access to MNCH services	Monthly deliveries - ANC 4th visit completion - PNC visits	Maternity services - ANC/PNC clinics - Community outreach	Deliveries 100 ANC coverage: 400 PNC visits: 500
3.	Health Systems Financing	Increase revenue from insurance and facility improvement funds	Total revenue collected - NHIF /SHA/AON remittances	Claims processing & reconciliation - Mobilizing for SHA, NHIF, AON - Improved billing systems	Total revenue: Kshs. 18,497,904 vs target 19,200,000.
4.	Diagnostic and Clinical Capacity	Strengthen surgical, laboratory, and imaging services	Theatre and laboratory functionality - Imaging unit completion rate	Construction of theatre and lab - Procurement plans for equipment - Imaging unit construction	Theatre & surgical wards complete only to be equipped and remodel Imaging unit: Ongoing
5.	Infrastructure & Utilities	Improve physical facilities and utilities	Completion of key projects (septic,	Installation of septic tank - Automatic	Septic tank, generator complete. Morgue is ongoing.

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		electricity, water)	generator installation - Morgue and stores planning	
6. Human Resources for Health	Increase staff establishment and retention	% of staff vs approved establishment (106)	Requests for deployment - Internal redistribution - CHMT engagement	52 staff vs 106 approved posts (49%)
7. Public Health & Sanitation	Ensure safe waste disposal and cleanliness	Functional waste system - Cleanliness rating	Burning chamber operational - Cleaning supplies procurement	Waste system functional Cleaning improved with grass cutter and availability of sanitary materials.
8. Community Health Engagement	Strengthen community-level health awareness	Community outreach sessions conducted - Referrals to facility	Health talks - Use of CHPs - Engagement through CCC, FP, ANC/PNC programs	Regular outreach conducted CHP support maintained
9. Emergency Preparedness	Improve emergency response capacity	- Functional ambulance services - Response time improvement	- Maintenance of ambulance - Staff emergency response drills.	Fully operational ambulance Referral time reduced

8. Corporate Governance Statement
 8.1 Governance Structure

The Hospital operates under a structured and participatory governance framework aligned with the County Government of Kericho, Ministry of Health policies, and National legislation. The governance structure provides accountability, transparency, and ethical leadership in the delivery of health services

Governance Level	Structure
Hospital Level	Hospital Management Team (HMT) led by Facility In-Charge; includes heads of all departments.
Sub-County Level	Supervision by Sub-County Health Management Team (SCHMT).
County Level Oversight	Strategic oversight by the County Health Management Team (CHMT).
Community Engagement	Hospital Management Team (HMT) with community representation ensures participatory governance.

8.2 Key Oversight Committees and Functions

Committee	Role
Clinical Research & Standards	Ensures continuous improvement in clinical practice and adherence to national treatment protocols.
Audit Committee	Provides oversight on financial compliance, risk, internal controls, and audit recommendations implementation.
County Assembly Health Committee	Provides legislative oversight on resource allocation, service delivery, and community health outcomes.
Parliamentary Committees	Enforce national-level policy compliance and provide broader legislative oversight.

8.3 Stakeholder Engagement

The Hospital recognizes the importance of engaging key stakeholders including:

- Patients and caregivers – through feedback mechanisms and complaint resolution desks.
- Community leaders and CHPs – through outreach and sensitization programs.
- County leadership – in planning, budgeting, and performance reporting.
- Development partners – who support with capacity building, supplies, or technical guidance.

8.4 Risk and Compliance

The hospital has adopted a proactive approach to risk and compliance through:

- Internal audits and financial reporting.
- Infrastructure and equipment risk assessments.
- Compliance with national financial regulations under the PFM Act 2012.
- Continuous medical education and training on standards and protocols.

8.5 Capacity Building and Accountability

Ongoing staff development, performance contracting, and transparent recruitment practices are central to governance improvement. The hospital ensures alignment with:

- County Integrated Development Plan (CIDP)
- Annual development plan (ADP)
- Annual Work Plan (AWP)
- Universal Health Coverage (UHC) goals.

8.6 Governance Challenges

Issue	Mitigation Strategy
Inadequate staff establishment	Engagement with health department leadership, County HR and Public Service Board for recruitment
Limited autonomy in financial management	Strengthen internal controls and advocate for timely disbursements
Infrastructure gaps affecting governance	Include governance priorities in annual development plans

9. Management Discussion and Analysis

9.1 Clinical and Operational Performance

The Hospital made significant strides in clinical service delivery during the 2024/2025 financial year, despite operational challenges such as staffing shortages and infrastructure limitations.

Key Clinical Indicators

9.2 Operational Analysis

- a) Outpatient Services continued to be the most accessed with 22,144 patients annually.
- b) Inpatient Services handled 3,546 admissions in the year under review.
- c) Emergency Services recorded 367 urgent cases, spanning both paediatric and adult age groups.
- d) Despite limited capacity, the hospital maintained efficient bed turnover, with an average length of stay of 3 days per inpatient.
- e) Bed occupancy rate was moderate at 38.75%, suggesting underutilization that may be attributable to referral behaviour or staffing constraints.
- f) The mortality rate of 1.1% is within tolerable limits for a level 4 primary healthcare facility.

9.3 Financial Performance

During the financial year under review, Fort-Ternan Sub-County Hospital generated a total revenue of KSh 18,497,904. The hospital's funding model is anchored on a mix of insurance payments, and internally generated income through the Facility Improvement Fund.

Revenue Source	Amount (KES)	% of Total Revenue
SHIF (Social Health Insurance Authority) insurance	12,362,044	66.83%
NHIF insurance	1,309,102	7.08%
ANC Insurance	967,500	5.23%
Facility Improvement Fund	3,859,258	20.86%
Total Revenue	18,497,904	100%

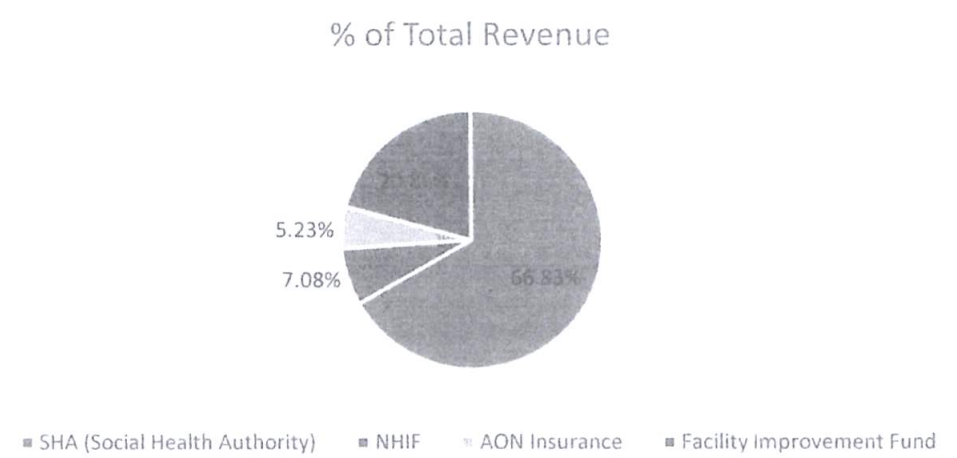


Fig 1: Pie chart showing total revenue ratio

9.3.2 Expenditure and Fund Utilization

For the financial year ended June 30, 2025, Fort-Ternan Sub-County Hospital recorded total expenditures amounting to Kshs. 16,443,677. The expenditure was geared toward ensuring continued provision of quality healthcare services, infrastructure maintenance, and support operations. The expenditure breakdown as in the table;

Expenditure	AMOUNT	%-Ratio
Medical/Clinical costs	7,604,958	46.25%
Employee costs	864,000	5.25%
Repairs and maintenance	1,301,220	7.91%
General expenses	6,157,195	37.44%
Transfers to Kericho County CRF	469,044	2.85%
Medical Waiver	47,260	0.29%
totals	16,443,677	100.00%

EXPENDITURE REPORT Y 2024/2025

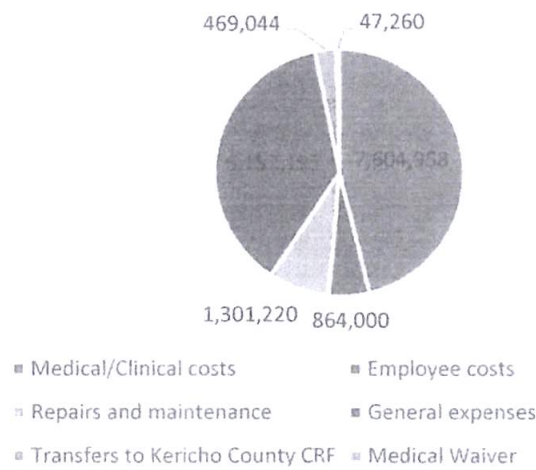


Fig 1: Pie chart showing expenditure

Mr Alfred Chesire
Facility in charge - Fort-Ternan Sub-County Hospital
Kericho County

10. Environmental And Sustainability Reporting

i) Sustainability strategy and profile

Fort-Ternan Sub-County Hospital recognizes that sustainable healthcare delivery requires a balance between health outcomes, environmental responsibility, and efficient resource utilization. In alignment with the Kenya Green Economy Strategy and Implementation Plan (GESIP) and the County Integrated Development Plan (CIDP), the hospital has developed a sustainability strategy that integrates environmental stewardship into its operational and clinical services.

Strategic Focus Areas:

Focus Area	Initiative/Action
Water Management	Installation of rainwater harvesting systems and water storage tanks.
Waste Management	Segregation of medical and general waste disposal.
Infection Prevention	Routine disinfection and use of PPE in line with MoH protocols.
Environmental Education	Routine staff sensitization on green practices and responsible resource use.

10.i.1 Sustainability Strategy Objectives:

- a) Promote environmental health and hygiene through safe waste disposal, infection prevention, and sanitation practices.
- b) Enhance energy and water efficiency in hospital operations.
- c) Ensure climate-resilient infrastructure through appropriate design, maintenance, and disaster preparedness.
- d) Foster a culture of sustainability among hospital staff, patients, and the surrounding community.
- e) Strengthen compliance with environmental health regulations and public health standards.

10.i.2 Sustainability Integration in Operations:

- a) Procurement prioritizes eco-friendly products and packaging.
- b) Engagement with community health units to promote household-level hygiene and environmental safety.

ii) Environmental performance

Fort-Ternan Sub-County Hospital is committed to minimizing its environmental footprint while maintaining a safe and hygienic environment for patients, staff, and visitors. In FY 2024/2025, the hospital implemented a series of interventions aimed at improving environmental health, waste management, and resource efficiency.

10.ii.1 Waste Management.

The hospital strictly adheres to waste segregation protocols and the Public Health Act (Cap. 242). All departments practice segregation at source, using color-coded bins for:

- a) Highly Infectious waste (red),

- i) Infectious waste (Yellow)
- ii) Non-infectious/general waste (black),
- iii) Sharps (Safety box).

10.1.2 Infection Prevention and Environmental Hygiene.

Daily cleaning and fumigation of clinical and public areas were conducted.

iii) Employee welfare

The Hospital upholds the principle that a well-supported, motivated, and safe workforce is critical to the delivery of quality healthcare services. The hospital, guided by policies aligned with national standards and county HR frameworks, made significant efforts in the areas of equitable hiring, capacity building, career development, employee welfare, and occupational safety.

Staff underwent Continuous Medical Education (CME) sessions at departmental level. Several staff members participated in refresher trainings on infection prevention and control (IPC), laboratory procedures, emergency obstetric care, HIV/AIDS care and management. Regular Hospital Management Team (HMT) meetings held for inclusive decision-making. And also, provision of open suggestion box system and departmental briefs fostered transparency and feedback. Although constrained by human resource shortages, staff remained committed to service delivery.

iv) Market place practices-

a) Responsible competition practice.

For Ternan Sub-County Hospital, as a public health facility under the Kericho County Government, upholds strict standards of responsible competition. The facility's policies and practices are structured to ensure transparency, integrity, and fairness in the delivery of services to the public while promoting healthy institutional conduct within the broader healthcare ecosystem.

10.1.2 a.(i) Anti-Corruption and Integrity Measures

Zero-tolerance to corruption: The hospital has adopted a zero-tolerance approach to bribery, extortion, or favoritism in the delivery of services.

Code of Conduct: All employees are required to adhere to the County Government Code of Conduct, which includes anti-corruption clauses.

10.1.2 a.(ii) Fair Competition and Open Tendering

The hospital complies with the Public Procurement and Asset Disposal Act, 2015, which ensures:

Open and competitive bidding for all goods, services, and works.

Fair evaluation criteria free from favoritism or undue influence.

Supplier diversity, with reserved quotas for youth, women, and persons with disabilities (PWDs).

10.1.2 a.(iii) Responsible Political Involvement

The facility maintains institutional neutrality in political matters. Services are not influenced by political affiliations, and all patients receive care irrespective of background or beliefs.

Hospital operations are guided by county policy frameworks, not partisan agendas, and leadership is held accountable through audits and reviews.

10.1.2 a.(iv) Respect for Competitors and Sectoral Collaboration

The Hospital collaborates with neighboring public, private, and faith-based institutions to strengthen referral systems and reduce service duplication.

It does not engage in activities that malign or discredit other institutions.

Professional engagements, such as joint CMEs (Continuous Medical Education) and shared training platforms, promote sector cohesion.

d) Improved Service Delivery Practices

b) Responsible Supply chain and supplier relations

Fort-Ternan Sub-County Hospital adheres to responsible and ethical supply chain management in alignment with public sector procurement laws and policies. The hospital recognizes that building strong, transparent, and respectful supplier relationships is vital to ensuring uninterrupted service delivery, quality inputs, and trust among stakeholders.

10.iv.b.(i) Competitive and Transparent Procurement

The hospital's procurement processes are conducted in compliance with the Public Procurement and Asset Disposal Act, 2015, and County Government procurement regulations. This ensures:

- a) Fair competition through open tendering, request for quotations (RFQ), and framework contracting.
- b) Transparency and accountability, where procurement decisions are well documented and verifiable.
- c) Inclusivity, with priority procurement opportunities extended to youth, women, and persons with disabilities (PWDs) through affirmative action policies.
- d) Prequalification and vetting of suppliers to assess reliability, ethical business practices, and regulatory compliance.

10.iv.b.(ii) Local Economic Empowerment

The hospital supports local development by:

- a) Sourcing from local businesses where possible, particularly for non-specialized goods and services.
- b) Encouraging capacity building for small and medium enterprises (SMEs) through simplified procurement documents.

10.iv.b.(iii) Ethical Business Conduct

- a) Non-solicitation of bribes or kickbacks in supplier dealings is enforced through internal audits and ethics sensitization.
- b) Supplier vetting includes checks for ethical practices, tax compliance, and registration with relevant regulatory bodies.
- c) Blacklisting of non-performing or unethical suppliers is done in collaboration with county procurement offices and Public Procurement Regulatory Authority (PPRA).

10.iv.b.(iv) Supply Chain Risk Management.

To ensure supply continuity:

- a) The hospital maintains framework agreements for essential items such as non-pharmaceuticals, food ratio, laboratory supplies, refined fuel, other fuel like firewood and pharmaceutical supplies.
- b) Inventory monitoring are regularly conducted to detect and mitigate supply disruptions or losses.

c) Responsible marketing and advertisement or Responsible engagement with citizens

Fort-Ternan Sub-County Hospital upholds high standards of ethical communication and public engagement to build trust, promote transparency, and ensure citizens are well-informed about available services and health initiatives. As a public health institution, the hospital emphasizes responsible messaging and citizen-centered outreach as part of its commitment to patient rights, informed consent, and quality service delivery.

10.iv.c.(i) Ethical Marketing Practices

While not engaged in commercial advertising, the hospital ensures that all public-facing information:

- a) Is accurate, clear, and factual, avoiding exaggeration or misleading health claims.
- b) Upholds patient dignity by not using imagery or language that is discriminatory, fear-inducing, or stigmatizing.

Complies with public health communication standards as outlined by the Ministry of Health and the County Health Department.

Encourages healthy behaviors and responsible health-seeking practices without coercion or commercial motivation.

10.i c.(ii) Public Sensitization and Outreach

To enhance awareness of services and public health responsibilities, the hospital undertakes the following outreach activities:

Regular community health education forums, including barazas and targeted outreach in schools, churches, and local markets.

Use of local radio stations and public address systems to disseminate accurate and timely information on outbreaks, immunizations, maternal health, and preventive care at the departmental level.

Health talks and feedback sessions conducted in hospital waiting areas, encouraging two-way engagement.

10.i c.(iii) Digital and Media Engagement

Though the facility does not operate a standalone website, it benefits from County Health Department's:

Media briefings, highlighting health campaigns and major achievements.

Social media updates and event coverage via County Government platforms.

Joint reporting during County Health Week, UHC rollout updates, and mass immunization drives.

10.i c.(iv) Public Participation and Feedback Mechanisms

To reinforce responsible engagement:

Patient feedback mechanisms are in place through suggestion boxes, patient satisfaction surveys, and verbal complaints resolution protocols.

Reports from public participation forums are submitted to the Sub-County Health Management Team (SCHMT) and integrated into service planning.

d) Product stewardship or Awareness Creation

Fort Ternan Sub-County Hospital is dedicated to upholding patient rights and consumer protection by ensuring that all health services and information are delivered in a manner that protects safety, promotes informed choice, and enables effective redress where needed. As a public health institution, the hospital takes its stewardship role seriously by safeguarding health outcomes while respecting patient dignity and autonomy.

10.i 1.(i) Protection of Health and Safety

The hospital prioritizes patient safety as a core mandate:

All clinical procedures are conducted by qualified and licensed medical personnel.

The hospital complies with Kenya's Public Health Act, Kenya Medical Practitioners and Dentists Council (KMPDC) standards, and Occupational Safety and Health Act (OSHA), 2007 provisions.

Infection prevention and control (IPC) protocols are actively enforced across all departments, including sterilization, waste management, and safe injection practices.

Emergency protocols and referral systems are well established to ensure timely response in critical care cases.

10.i 1.(ii) Provision of Adequate Information

The hospital ensures that patients and community members are provided with relevant and clear information about:

Available services including outpatient, inpatient, maternity, immunization, laboratory, and pharmaceutical services.

11. Report of The Board of Management

The process of appointing the hospital board of management is on-going hence there was no report of the board of management during the year under review.

Principal activities

The principal activity of the entity is to provide quality healthcare to all clients.

Auditors

The Auditor General is responsible for the statutory audit of Fort-Ternan level 4 sub-county hospital in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 were nominated by the Auditor General to carry out the audit of Fort-Ternan level 4 sub-county hospital for the year/period ended June 30, 2025 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 Hospital Management Team



.....

Name: Alfred Chesire
Facility in-charge

12. Statement of Hospital Management Team’s Responsibilities

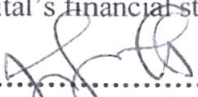
Section 164 of the Public Finance Management Act, 2012 requires the HMT to prepare financial statements in respect of that Hospital, which give a true and fair view of the state of affairs of the Hospital at the end of the financial year/period and the operating results of the Hospital for that year/period.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

The Board of Management is responsible for the preparation and presentation of the Hospital’s 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, 2025. 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.

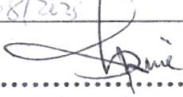
The Board of Management accepts responsibility for the Hospital’s financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Board members are of the opinion that the entity’s financial statements give a true and fair view of the state of entity’s transactions during the financial year ended June 30, 2025, and of the Hospital’s 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’s financial statements as well as the adequacy of the systems of internal financial control.

Approval of the financial statements

The Hospital’s financial statements were approved on 25/08/2025 and signed on its behalf by:


.....
Name: Dr Japhet Cheruiyot

Chief Officer Health Services


.....
Name: Alfred Chesire
Facility In-Charge

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON FORT TERNAN SUB - COUNTY LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2025 - COUNTY GOVERNMENT OF KERICHO

PREAMBLE

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

- A. Report on 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 the 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 the Government achieves value for money and that such funds are applied for the intended purpose; and,
- 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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 Fort Ternan Sub County Level 4 Hospital – County Government of Kericho set out on pages 1 to 44, which comprise of the statement of financial position as at 30 June, 2025, and the statement of financial

Report of the Auditor-General on Fort Ternan Sub-County Level 4 Hospital for the year ended 30 June, 2025 - County Government of Kericho

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 the Fort Ternan Sub County Hospital Level 4 Hospital – County Government of Kericho as at 30 June, 2025, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, the County Governments Act, 2012 and the Health Act, 2017.

Basis for Qualified Opinion

1. Inaccuracy of Employee Costs

The statement of financial performance and as disclosed in Note 10 to the financial statements reflects employee costs amounting to Kshs.864,000. Review of records revealed that the Hospital received services from fifty-one (51) medical and non-medical staff employed and paid by the County Government of Kericho. However, this expenditure was not disclosed in the financial statements.

In the circumstances, the accuracy and completeness of employee costs amounting to Kshs.864,000 could not be confirmed.

2. Inaccuracy Property, plant and Equipment

The statement of financial position reflects total property, plant and equipment totalling Kshs.1,860,412. However, the assets were not depreciated. This was contrary to Policy 4 (e) of the summary of significant accounting policies which states that all property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The assets register in support of property, plant and equipment was also not provided for audit review.

Further, the Hospital owns land measuring 3.5 acres of unknown value. However, the land has not been disclosed in the financial statement. Title deed for the land was also not provided for audit review.

In the circumstances, the accuracy and completeness of property, plant and equipment of Kshs.1,860,412.

3. Unsupported Accumulated Surplus

The statement of financial position reflects accumulated surplus totalling Kshs.12,009,587. The amount includes prior year adjustments amounting to

Kshs.6,781,256 as reflected in the statement of changes in net assets. However, journal entries in support of the adjustments were not provided for audit review.

In the circumstances, the accuracy and completeness of accumulated surplus totalling Kshs.12,009,587 could not be confirmed.

4. Inaccuracy of Capital Fund

The statement of financial position reflects Nil capital fund. The amount comprises netted off capital fund opening balance against prior year adjustments of Kshs.6,781,256 as reflected in the statement of changes in net assets. However, journal entries in support of the adjustments were not provided for audit review.

In the circumstances, the accuracy and completeness of Nil capital fund could not be confirmed.

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

Emphasis of Matter

The statement of comparison of budget and actual amounts reflects total receipts budget of Kshs.19,200,000 against actual on comparable basis amount of Kshs.17,409,079 resulting to a revenue shortfall of Kshs.1,790,021 or nine percent (9%) of the budgeted revenue. Similarly, the statement reflects actual expenditure of Kshs.15,456,309 against actual receipts of Kshs.17,409,079 resulting to under-absorption of Kshs.1,952,770 of the receipts.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the effect of the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Matters

In the audit reports of the previous year, twelve (12) issues were raised under the Report on the Financial Statements as shown in **Appendix I**. However, although Management indicated that the issues had been resolved, no documentary evidence was provided to support that the issues had been resolved.

Other Information

Management are responsible for the Other Information set out on page iii to xix which comprise of the Key Entity Information and Management, The Board of Management, Key Management Team, Chairman’s Statement, Report of the Medical Superintendent, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environment and Sustainability Reporting, Report of the Board of Management, and Statement of Board of management’s responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the, Hospital financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the 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. Irregular Procurement of Clinical and Medical Supplies

The statement of financial performance reflects medical and clinical expenditure amounting to Kshs.7,604,958. The component includes pharmaceutical supplies totalling Kshs.1,725,625 as disclosed in Note 9 to the financial statements. Medical supplies amounting to Kshs.973,850 was procured from local pharmacies through framework agreements. However, no evidence was provided to show that management notified Kenya Medical Supplies Agency (KEMSA) on the availability of the required drugs or that the facility had run out of the drugs prior to procuring from local Pharmaceutical Companies. This was contrary to Section 4 of the Kenya Medical Supplies Authority Act 2013 (Amended 2019) which requires the Authority to enter into partnership or with established frameworks with County Governments for purposes of providing services in procurement, warehousing, distribution of drugs and medical supplies. A public health

facility established under the national or county government shall procure all required medical supplies from the Agency.

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

2. Irregular Transfer of Facility Improvement Funds to Kericho County Revenue Fund

The statement of financial performance and as disclosed in Note 13 to the financial statements reflects transfers to Kericho County revenue fund amounting to Kshs.469,044. This was contrary to Section 5 (1) of the Facility Improvement Financing Act 2023 states that there shall be retention of all monies raised or received by or on behalf of all public health facilities.

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

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

Review of health records, interview of health services offered and verification of services offered, equipment used and medical specialists in the Hospital at the time of audit on 22, November, 2025, revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits by eighty-nine (89) medical staff or 88% of the authorized establishment.

Further, the key position of anesthesiologists, general surgeons, gynecologists, pediatricians and radiologists were yet to be filled as shown below.

Staffing Requirement	Minimum Required	Actual/Comment	Deficit
Medical Officers	16	0	16
Anesthesiologists	2	0	2
General Surgeons	2	0	2
Gynecologists	2	0	2
Pediatricians	2	0	2
Radiologists	2	0	2
Registered Community Health Nurses	75	12	63
Total	101	12	89

In addition, the license issued to the facility on 28 December, 2024 and which is set to expire on last day of December, 2025 signed by the Chief Executive Officer medical practitioners and dentist board, authorized the hospital to operate as public Level 3B Nursing home and not as Level 4 hospital as reported in the financial statements. The hospital also lacked necessary equipment/machines as shown below;

Equipment / Machines	Minimum Required	Actual/Comment	Deficit
Bed Capacity	150	25	125
Incubators (New-born)	10	0	10
Cots	10	3	7
Resuscitative in labour ward	3	2	1
Functional ICU Beds	10	0	10
HDU Beds	10	0	10
Renal unit with dialysis machines	10	0	10
Functional operating theatres Maternity and General	3	0	3

In the circumstances, the ability of the Hospital to deliver on its mandate is doubtful.

4. Failure to Establish Health Facility Management Committee

Review of documents maintained and interviews with Management revealed that the Hospital operated without Health Facility Management Committee (HFMC). This was contrary to in Section 18 of the Facilities Improvement Financing (FIF) Act, 2023 which requires composition Health Facility Management Committee.

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

5. Failure to Prepare Quarterly Reports

Management did not make quarterly cash flow projections and procurement plans in the year under review. This was contrary to Regulation 43 (3) of the Public Finance Management (County Governments) Regulations, 2015 which states that cash flow plans shall be broken down into a three-month rolling basis and that the quarterly cashflow projections shall be supported by procurement plans.

Further, the County Treasury did not publish and publicize quarterly liquidity position reports on the impact of revenue collection efforts, spending and County public debt operations as well as the cash position of the County Executive as required by Regulation 45 (6) of the Public Finance Management (County Governments) Regulations, 2015.

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

6. Lack of an Inventory Policy

The statement of financial position reflects inventories and as disclosed in Note 18 to the financial statements totalling Kshs.5,657,742. However, annual stock taking was not conducted. This was contrary to Section 162 (2) which requires the Head of Procurement Function to arrange for occasional visits of inspection to the stores, at least quarterly in each calendar year, and conduct quarterly and annual inventory and stock taking in order to ensure compliance with all respective governing laws and submit the report to the accounting officer.

Report of the Auditor-General on Fort Ternan Sub-County Level 4 Hospital for the year ended 30 June, 2025 - County Government of Kericho

Further, the Hospital does not have an approved inventory management policy in place to guide in classification, valuation, safeguarding, and disposal of inventories. This was contrary to Section 162 (1) of the Public Procurement and Asset Disposal Act, 2015 requires an accounting officer of a procuring entity to ensure that all inventory, stores and assets purchased are received, but shall not be used until taken on charge and as a basis for ensuring that all procured items are properly accounted for and put in proper use as intended by the procuring entity.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON 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 effect of 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. Lack of Internal Audit function

As previously reported, the Hospital did not have an internal audit function and was relying on the internal audit function of the County Government. This was contrary to Section 155 (5) of Public Finance Management Act, 2012 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 and if any regulations are in force under subsection (2), those regulations are complied with.

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

2. Use of Manual Accounting Records

Review of records revealed that financial records including payroll, cash book and ledgers were maintained in manual form without backups, thereby exposing the Hospital's financial information to risks of inaccuracy, inefficiencies, manipulations and possible

loss. The management, did not provide any justification as to why the financial transactions were not maintained in the system.

In the circumstances, the effectiveness of internal controls over recording of transactions in manual records could not be confirmed.

3. Lack of Risk Management Strategies

Review of the internal controls of the Hospital revealed that Management had not developed risk management policy and there were no fraud prevention mechanisms put in place. Further, operational and disaster recovery plans were also not provided. This was contrary to Regulation 158 of the Public Finance Management (County Governments) Regulations, 2015 that requires the Accounting Officer to develop risk management strategies, which include fraud prevention mechanism and a system of risk management and internal control that builds robust business operations.

In the circumstances, the existence of an effective mechanism to safeguard against risks could not be confirmed.

4. Lack of Standard Operating Procedures and Policies

During the audit, Management did not provide approved standard operating procedures which play an important role in guiding operations of the facility. Further, Management had not developed key policies and manuals or guidelines such as Human Resource Policy and Procedures Manual, Finance and Accounting Manual, Assets Management Policy, Communication Policy and Disaster Recovery and Business Continuity Policy to assist in guiding the administrative functions.

In the circumstance, it was not possible to confirm whether the internal controls built within the financial and operational systems were functioning as intended during the year under review.

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 those Charged with Governance

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 as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention 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 comply with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Hospital financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

11 December, 2025

Appendix I

Unresolved Prior Year Audit Matters

No.	Financial Year	Issue
1	2023/2024	Inaccuracy in Employee costs
2	2023/2024	Inaccuracy in Property, Plant and Equipment
3	2023/2024	Unsupported Receivables from Exchange transactions
4	2023/2024	Inaccuracies in Property, Plant and Equipment Balance
5	2023/2024	Inaccuracy in Capital Fund
6	2023/2024	Lack of Hospital Committee
7	2023/2024	Budgetary Control and Performance
8	2023/2024	Prior year Matters
9	2023/2024	Lack of Hospital Committee
10	2023/2024	Non-Compliance with law of ethnicity composition
11	2023/2024	Lack of risk Management
12	2023/2024	Lack of internal Audit function

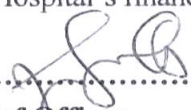
Fort-Ternan Sub-County Level 4 Hospital (Kericho County Government)
 Annual Report and Financial Statements for The Year Ended 30th June 2025

14. Statement of Financial Performance for The Year Ended 30 June 2025

Description	Note	FY 2024/2025	FY 2023/2024
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	6	469,044	3,652,616
In- kind contributions from the County Government	7	864,000	672,000
Total revenue from non-exchange transactions		1,333,044	4,324,616
Revenue from exchange transactions			
Rendering of services- Medical Service Income	8	18,497,904	14,787,026
Revenue from exchange transactions		18,497,904	14,787,026
Total revenue		19,830,948	19,111,642
Expenses			
Medical/Clinical costs	9	7,604,958	8,523,347
Employee costs	10	864,000	1,152,000
Repairs and maintenance	11	1,301,220	404,015
General expenses	12	6,157,195	4,406,552
Transfers to Kericho County CRF	13	469,044	4,070,142
Total expenses		16,396,417	18,556,056
Other gains/(losses)			
Medical services contracts Gains/Losses	14	47,260	108,410
Total other gains/(losses)		47,260	108,410
Net Surplus / (Deficit) for the year		3,387,271	447,176

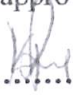
(The notes set out on pages 6 to 39 form an integral part of the Annual Financial Statements.)

The Hospital’s financial statements were approved on 25/08/2025 and signed on its behalf by:



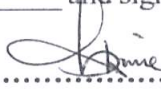
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Chief Officer
 Department of Health services



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Head of Finance



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Facility in-charge

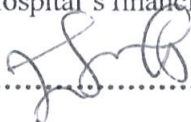
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Fort-Ternan Sub-County Level 4 Hospital (Kericho County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

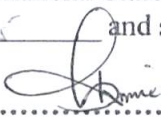
15. Statement of Financial Position As At 30th June 2025

Description	Note	FY 2024/2025	FY 2023/2024
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	15	1,953,670	320,397
Receivables from exchange transactions	16	8,480,192	6,106,900
Receivables from non-exchange transactions	17	-	543,186
Inventories	18	5,657,742	5,852,975
Prepayments	19	42,033	
Total Current Assets		16,133,637	12,823,458
Non-current assets			
Property, plant, and equipment	20	1,860,412	1,475,412
Total Non-current Assets		1,860,412	1,475,412
Total assets (A)		17,994,049	14,298,870
Liabilities			
Current liabilities			
Trade and other payables	21	5,984,462	5,676,554
Total Current Liabilities		5,984,462	5,676,554
Non-current liabilities			
Total non-current liabilities			
Total Liabilities (B)		5,984,462	5,676,554
Net assets (A-B)		12,009,587	8,622,316
Represented by:			
Accumulated surplus/Deficit		12,009,587	1,841,060
Capital Fund		-	6,781,256
Net Assets		12,009,587	8,622,316

(The notes on pages 6 to 39 form an integral part of the Annual Financial Statements.)
The Hospital’s financial statements were approved on 25/08/2025 and signed on its behalf by:







Chief Officer

Department of Health services

Head of Finance

ICPAK No: 16251

Facility in-charge

16. Statement of Changes in Net Assets for The Year Ended 30 June 2025

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2023	-	1,393,884	6,781,256	8,175,140
Surplus/(deficit) for the year	-	447,176	-	447,176
As at June 30, 2024	-	1,841,060	6,781,256	8,622,316
At July 1, 2024	-	1,841,060	6,781,256	8,622,316
Prior year adjustments		6,781,256	(6,781,256)	-
Surplus/(deficit) for the year	-	3,387,271	-	3,387,271
At June 30, 2025	-	12,009,587	-	12,009,587

NOTE: Being prior year adjustment for understatement of surplus due to re-expensing of payables.

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17. Statement of Cash Flows for The Year Ended 30 June 2025

Description	Note	FY 2024/2025	FY 2023/2024
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government		1,012,230	3,652,616
Rendering of services- Medical Service Income		16,077,352	8,680,126
Total Receipts		17,089,582	12,332,742
Payments			
Medical/Clinical costs		8,122,421	3,625,793
Employee costs		-	480,000
Repairs and maintenance		729,414	283,015
General expenses		6,135,430	3,748,552
Transfers to Kericho county CRF		469,044	4,070,142
Total Payments		15,456,309	12,207,502
Net cash flows from operating activities		1,633,273	125,240
Cash flows from investing activities		-	-
Net cash flows used in investing activities		-	-
Cash flows from financing activities		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		1,633,273	125,240
Cash and cash equivalents as at 1 July 2024	15	320,397	195,157
Cash and cash equivalents as at 30 June 2025	15	1,953,670	320,397

18. Statement of Comparison of Budget and Actual Amounts for Year Ended 30 June 2025

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	
Budget carryovers from the previous year	-	-	-	320,397	-	%
Receipts			-	-	-	
Transfers from the County Government	-	-	-	1,012,230	-	%
Rendering of services- Medical Service Income	19,200,000		19,200,000	16,077,352	3,122,648	84%
Total receipts	19,200,000		19,200,000	17,409,979	1,790,021	91%
Payments						
Medical/Clinical costs	9,602,000		9,602,000	8,122,421	1,479,579	85%
Medical equipment	400,000		400,000	-	-	%
Repairs and maintenance	1,400,000		1,400,000	729,414	670,586	52%
General expenses	7,798,000		7,798,000	6,135,430	1,662,570	79%
Revenue transfers to CRF	-		-	469,044	-	%
Total Operational Expenditure paid	19,200,000		19,200,000	15,456,309	3,812,735	81%
Capital Expenditure paid	-	-	-	-	-	%
Surplus	-	-	-	1,953,670	-	%

NOTE: The items in the description that falls less than 90% is due to the difference in cash basis and accruals basis as the statement of comparison of budget and actuals is prepared in cash basis while the statement of financial performance is prepared on accrual basis.

19. Notes to the Financial Statements

1. General Information

Fort-Ternan sub-county level 4 hospital is established by and derives its authority and accountability from government Act. The hospital is wholly owned by the Government of Kenya and is domiciled in Kenya. The hospital's principal activity is provision of medical 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 Fort-Ternan sub-county Hospital's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Hospital. The financial statements have been prepared in accordance with the PFM Act, and 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

i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2025*

There were no new and amended standards issued in the financial year.

ii) *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025.*

Standard	Effective date and impact:
IPSAS 43	<i>Applicable 1st January 2025</i> 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	<i>Applicable 1st January 2025</i> 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 of 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.
IPSAS 45- Property Plant and Equipment	<i>Applicable 1st January 2025</i> The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the

Standard	Effective date and impact:
	criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.
IPSAS 46 Measurement	<i>Applicable 1st January 2025</i> The objective of this standard was to improve measurement guidance across IPSAS by: - Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. - Clarifying transaction costs guidance to enhance consistency across IPSAS; - Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. The standard also introduces a public sector specific measurement bases called the current operational value.
IPSAS 47- Revenue	<i>Applicable 1st January 2026</i> This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.
IPSAS 48- Transfer Expenses	<i>Applicable 1st January 2026</i> The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard

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Standard	Effective date and impact:
	for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.
IPSAS 49- Retirement Benefit Plans	<i>Applicable 1st January 2026</i> The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<i>Applicable 1st January 2027</i> The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.

iii) Early adoption of standards

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

4. Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

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

ii) Revenue from exchange transactions

Rendering of services

The 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.

b. Budget information

The original budget for FY 2024/2025 was approved by HMT on 4th July 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The Hospital'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 cash flows.

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.

Notes to the Financial Statements (Continued)

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 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.

NOTE

County Government of Kericho is in the process of valuing the Hospitals property, plant and equipment.

Notes to the Financial Statements (Continued)

f. Intangible assets

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

g. Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. Fort-Ternan Sub-County Level 4 Hospital does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the hospital's financial statements.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified

Notes to the Financial Statements (Continued)

dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Notes to the Financial Statements (Continued)

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL).

Financial liabilities

Classification

The Hospital classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

Notes to the Financial Statements (Continued)

h. 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.

i. Provisions

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

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

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

Notes to the Financial Statements (Continued)

j. Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

k. Contingent liabilities

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

l. Contingent assets

The Hospital does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the 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.

m. Nature and purpose of reserves

The entity creates and maintains reserves in terms of specific requirements.

n. Changes in accounting policies and estimates

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

Notes to the Financial Statements (Continued)

o. Employee benefits

Retirement benefit plans

The Hospital provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump-sum payments or increased future contributions on a proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

p. Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. At each reporting date, foreign currency monetary items are translated using the closing rate. Non-monetary items measured in historical cost are translated using the exchange rate at the date of the transaction, and those measured at fair value are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising from the settlement of monetary items or translation of monetary/non-monetary items at rates different from those at which they were initially reported are recognized in surplus or deficit in the period.

q. 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.

Notes to the Financial Statements (Continued)

r. 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 CHMT, SCHMT, HMT and Facility in-charge.

s. 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.

t. 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.

u. Comparative figures

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

Notes to the Financial Statements (Continued)

v. 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, 2025.

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The 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.

Notes to Financial Statements Continued

6. Transfers from the County Government

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
Authority to Incur Expenditure (AIE)		
AIE Funding from CRF	469,044	3,652,616
Total Transfers from County government	469,044	3,652,616

7. In Kind Contributions from The County Government

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
Salaries and wages	864,000	672,000
Total grants in kind	864,000	672,000

Notes to Financial Statements Continued

8. Rendering of Services-Medical Service Income

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Pharmaceuticals	921,353	1,410,930
Non-Pharmaceuticals	1,057,735	963,462
Laboratory	902,935	1,287,610
Dressing/ suturing	37,580	-
Registration/consultation	300,885	-
MVA	31,650	-
Medical forms	9,000	-
ANC	207,820	-
Maternity	342,040	-
P3 Forms	1,000	-
Other medical service income	47,260	384,690
NHIF services claims	1,309,102	10,740,334
AON services claims	967,500	-
SHA services claims	12,362,044	-
Total revenue from the rendering of services	18,497,904	14,787,026

Notes to the Financial Statements (Continued)

9. Medical/ Clinical Costs

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Laboratory chemicals and reagents	1,439,145	1,351,545
Food and Ration	2,115,933	1,529,953
Dressing and Non-Pharmaceuticals	2,324,255	1,895,489
Pharmaceutical supplies	1,725,625	3,323,090
Sanitary and cleansing Materials	-	423,270
Total medical/ clinical costs	7,604,958	8,523,347

10. Employee Costs

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Salaries, wages, and allowances	864,000	1,152,000
Employee costs	864,000	1,152,000

11. Repairs And Maintenance

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Property- Buildings	1,190,720	114,565
Maintenance of Generator	-	289,450
Installation of television	80,500	-
Maintenance of building and station	30,000	-
Total repairs and maintenance	1,301,220	404,015

Notes to the Financial Statements (Continued)

12. General Expenses

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Bank charges	34,245	30,180
Electricity expenses	439,204	299,262
Travel and accommodation allowance	1,792,750	1,133,900
Printing and stationery	1,382,796	815,970
Fuel and Lubricants	1,642,570	1,820,241
Other fuel-firewood	460,000	218,000
Telephone and mobile phone services	23,000	88,999
Internet expenses	48,000	-
General office supplies	25,000	-
Utensils	212,510	-
Staff uniforms	97,120	-
Total General Expenses	6,157,195	4,406,552

13. Revenue transfers to CRF

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
FIF Transfers to Kericho county CRF	469,044	4,070,142
Total Revenue transfers to CRF	469,044	4,070,142

14. Medical Services Contracts Gains /Losses

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
Waivers and Exemptions	47,260	108,410
Total Gain/Loss	47,260	108,410

15. (a) Cash And Cash Equivalents

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
Current accounts-1153109689	1,311,618	320,397
Current accounts-1337018147	642,052	-
Total cash and cash equivalents	1,953,670	320,397

15 (b). Detailed Analysis of Cash and Cash Equivalents

Description		FY 2024/2025	FY 2023/2024
Financial institution	Account number	Kshs	KShs
a) Current account			
Kenya Commercial bank	1153109689	1,311,618	320,397
Kenya Commercial bank	1337018147	642,052	
Grand total		1,953,670	320,397

16. Receivables From Exchange Transactions

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
Medical services receivables	8,480,192	6,106,900
Total receivables	8,480,192	6,106,900

Analysis of Receivables From Exchange Transactions

Description	FY 2024/2025		FY 2023/2024	
	Kshs		Kshs	
	Current FY2024/2025	% of the total	Comparative FY2023/2024	% of the total
Less than 1 year	5,069,924	%	6,106,900	%
Between 1- 2 years	3,410,268	%		%
Between 2-3 years		%		%
Over 3 years		%		%
Total (a+b)	8,480,192	%	6,106,900	%

17. Receivables From Non-Exchange Transactions

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
Transfers from the County Government	-	543,186
Total	-	543,186

Analysis of Receivables From Non-Exchange Transactions

Description	FY 2024/2025		FY 2023/2024	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year		%	543,186	%
Between 1- 2 years		%		%
Between 2-3 years		%		%
Over 3 years		%		%
Total (a+b)		%	543,186	%

18. Inventories

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
Pharmaceutical supplies	4,113,016	1,503,055
Laboratory supplies	185,800	3,130,300
Food supplies	234,897	46,320
Linen and clothing supplies	997,850	1,173,300
General supplies	126,179	-
Total	5,657,742	5,852,975

19. Prepayments

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Refined fuel	42,033	-
Rent	-	-
Water	-	-
Internet	-	-
Others specify	-	-
Total	42,033	-

Fort-Ternan sub-county Level 4 Hospital (Kericho County Government)
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Notes to the Financial Statements (Continued)

20. Property, Plant and Equipment

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Other Assets (specify)	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
Cost									
At 1 July 2023	-	1,095,612	-	379,800	-	-	-	-	1,475,412
Additions									
Disposals									
Transfers/adjustments									
Revaluation Adjustments									
At 30 th June 2024	-	1,095,612	-	379,800	-	-	-	-	1,475,412
At 1 July 2024		1,095,612	-	379,800	-	-	-	-	1,475,412
Additions	-	-	-	-	-	385,000	-	-	385,000
Disposals									
Transfer/adjustments									
Revaluation Adjustments									
At 30 th June 2025	-	1,095,612	-	379,800	-	385,000	-	-	1,860,412
Depreciation and impairment									
At 1 July 2023									
Depreciation for the year									

Fort-Ternan sub-county Level 4 Hospital (Kericho County Government)
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Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Other Assets (specify)	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
Disposals									
Impairment									
At 30 June 2024	-	-	-	-	-	-	-	-	-
At July 2024									
Depreciation									
Disposals									
Impairment									
Transfer/adjustment									
At 30 th June 2025	-	-	-	-	-	-	-	-	-
Net book values									
At 30 th June 2024	-	1,095,612	-	379,800	-	-	-	-	1,475,412
At 30 th June 2025	-	1,095,612	-	379,800	-	385,000	-	-	1,860,412

Fort-Ternan sub-county Level 4 Hospital (Kericho County Government)
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Notes to the Financial Statements (Continued)

21. Trade and other Payables

Description	FY 2024/2025		FY 2023/2024	
	KShs		KShs	
Trade payables	5,984,462		5,676,554	
Total trade and other payables	5,984,462		5,676,554	
	Current	%	Compa	%
	FY2024/20	of	rative	of
	25	the	FY2023	the
		Tot	/2024	total
		al		
Ageing analysis:				
Under one year	5,042,822	87%		%
1-2 years	941,640	13%		%
2-3 years		%		%
Over 3 years		%		%
Total	5,984,462	%		%

Notes to the Financial Statements (Continued)

24. 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.

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

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

Description	FY 2024/2025	FY2023/2024
	Kshs	Kshs
Transactions with related parties		
a) Services offered to related parties		
Services to		
Sales of services to		
Total		
b) Grants from the Government		
Grants from County Government		
Grants from the National Government Entities		
Donations in kind		
Total		
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees		
Payments for goods and services for		
Total		
d) Key management compensation		

Fort-Ternan sub-county Level 4 Hospital (Kericho County Government)
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Description	FY 2024/2025	FY2023/2024
	Kshs	Kshs
Directors' emoluments		
Compensation to the medical Sup		
Compensation to key management		
Total		

25. Events after the Reporting Period

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

26. Ultimate and Holding Entity

The entity is a State Corporation/ or a Semi- Autonomous Government Agency under the Department of Health. Its ultimate parent is the County Government of Kericho.

27. Currency

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

20. Appendices

Appendix 1: Progress on Follow Up of Auditor Recommendations

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)
Ref: 2023-2024-2-01-0035-21-FTSCH	Inaccuracy of Employee Costs-the statement of financial performance reflects employee costs amounting to Kshs 1,152,000 as further disclosed in Note 10 to the financial statements. However, monthly payrolls in support of the expenditure were not provided for audit review.	The management acknowledges the auditors' observation, however, it is worth noting that Payroll is prepared and managed centrally through the department of public service management at the county headquarters, so they facilitate payment of all personal emoluments for both permanent and contractual employees.	Not resolved	
	Inaccuracy of Property, Plant and Equipment- the statement of financial position reflects property, plant and equipment totalling Kshs 1,475,412 as further disclosed in Note 19	The management acknowledges the auditors' observation, however, the management states that the motor vehicle log book is at the transport office at the department of health and the county government	Not resolved	

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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)
	to the financial statements. However, physical visit of the Fort-Ternan Sub-County Hospital Kericho County revealed that the hospital has land measuring 2.5 acres, one motor vehicles, one automatic generator, buildings, furniture and fittings, medical equipments, ICT equipment, and hospital beds recorded in the assets register of undetermined values which have not been disclosed in the financial statements.	of Kericho is yet to do valuation of property, plant and equipment which was acquired before devolution.		
	Unsupported Receivables from Exchange Transactions-the statement of financial position reflects receivables from exchange transactions amounting to Kshs 6,106,900 and as disclosed in Note 16 to the financial statements in respect to	The management has acknowledged the auditors' observation; however, it is worth noting that the management prepared a detailed schedule for its receivables.	Not resolved	

Fort-Ternan sub-county Level 4 Hospital (Kericho County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

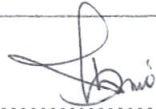
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	medical services receivables. However, the receivables were not supported by ageing analysis and detailed schedule indicating the name of debtor, services offered, invoice number and invoice amount.			
	Inaccuracy of capital fund- the statement of financial position reflects capital fund amounting to Kshs 6,781,256 which is also the opening balance of the fund as reflected in the statement of changes in net assets. However, the opening balance differs with Nil capital fund reflected in the prior year audited financial statements resulting in unexplained variance of Kshs 6,781,256.	The management has acknowledged the auditors' observation; however, it is worth noting that the statement of changes in net assets contains accumulated capital fund amounting to Kshs 6,781,256 which had accumulated from FY 2021/2022 and FY 2022/2023.	Not resolved	
	Lack of Hospital Committee- in the circumstances, the	The management acknowledges the auditors' observation that the Hospital Management Committee	Not resolved	

Fort-Ternan sub-county Level 4 Hospital (Kericho County Government)
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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)
	management was in breach of the law.	(HMC) had not been constituted. However, the county health service management is working towards the establishment of the Hospital Management Committee (HMC) as per the Kericho County Health Management Act 2021.		
	Non-compliance with Law on Ethnic Composition- in the circumstances, the management was in breach of the law.	The management concurs with the auditors' observation, however, the department of health services in conjunction with county public service board has put in place mechanisms that will ensure adherence to the provisions of law and procedures in human resource manual while doing recruitments.	Not resolved	
	Lack of Risk Management Policy- in the circumstances, existence of effective risk management measures could not be confirmed.	The management has acknowledged the auditors' observation; however, it is worth noting that, currently the county Government of Kericho has developed a draft Risk Management policy which is awaiting approval at the cabinet level.	Not resolved	

Fort-Ternan sub-county Level 4 Hospital (Kericho County Government)
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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)
	Lack of an Internal Audit Function- in the circumstances, the effectiveness of internal controls could not be confirmed.	The management has acknowledged the auditors' observation; however, it is worth noting that the county Government of Kericho has internal audit unit and audit committee which is based at the county headquarters under the department of Finance and Economic planning.	Not resolved	



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Accounting Officer



Inter Entity Confirmation Letter

Fortenan Sub County Hospital
Po Box 19-20209
Fortenan.

The County Government of Kericho wishes to confirm the amounts disbursed to you as at 30th June 2025 as indicated in the table below. Please compare the amounts disbursed to you with the amounts received and populate the column E in the table below please sign and stamp this request in the space provided and return to us.

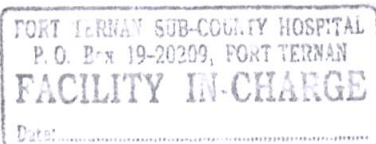
Confirmation of amounts received by Fortenan Sub County Hospital for the FY 2024/2025							
		Amounts Disbursed by Kericho County Government in Kshs as at 30th June 2025				Amount Received by Fortenan Sub County Hospital in (Kshs) for Fy 2024/2025 (E)	Difference in Kshs (F)=D-E
Reference Number	Date Disbursed	Recurrent(A)	Development (B)	Inter-ministerial(C)	Totals (D)=A+B+C		
FT24289WNS18	15-Oct-24	216,066			216,066	216,066	
FT2428903GC9	15-Oct-24	327,120			327,120	327,120	
FT24289LN7G1	15-Oct-24	469,044			469,044	469,044	
Total					1,012,230	1,012,230	

I confirm that the amounts shown above are correct as of the date indicated
Head of County Treasury:

Name: Hon. Jackson Rop Date 30-6-25

Sign

Yours Sincerely,



r. Alfred Kiplagat Chesire
Medical Superintendent

c. Director General, Accounting Services and Quality Assurance, the National Treasury

