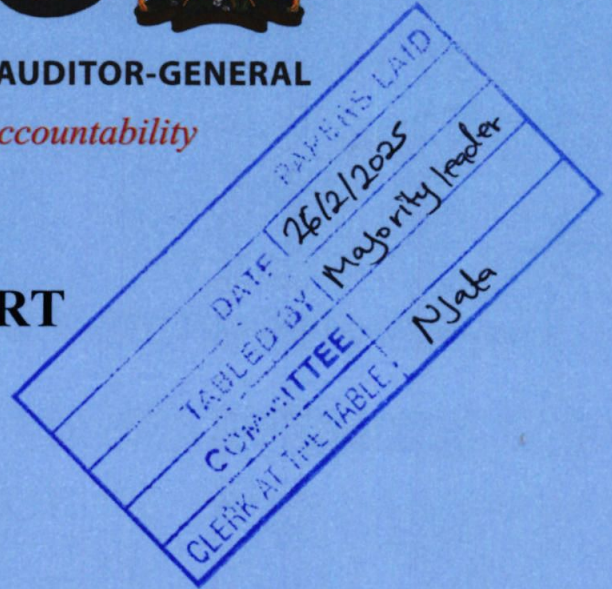
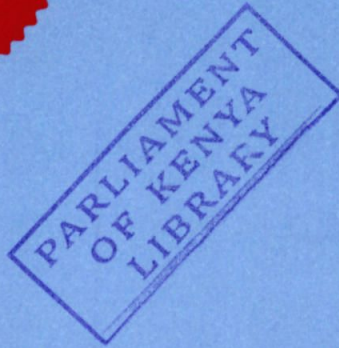


REPUBLIC OF KENYA



*Enhancing Accountability*



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**ITEN COUNTY REFERRAL HOSPITAL**

**FOR THE YEAR ENDED  
30 JUNE, 2024**



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**ITEN COUNTY REFERRAL HOSPITAL  
ELGEYO MARAKWET COUNTY  
GOVERNMENT**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2024**

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

OFFICE OF THE AUDITOR GENERAL  
ELDORET REGIONAL OFFICE

11 DEC 2024

**RECEIVED**  
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*Iten County Referral Hospital, Elgeyo Marakwet County Government*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2024*

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Table of Contents

<b>1. Acronyms &amp; Glossary of Terms</b> .....	ii
<b>2. Key Entity Information and Management</b> .....	iii
<b>3. The Board of Management</b> .....	vi
<b>4. Key Management Team</b> .....	viii
<b>5. Chairman’s Statement</b> .....	x
<b>6. Report of The Medical Superintendent</b> .....	xii
<b>7. Statement of Performance Against Predetermined Objectives</b> .....	xiii
<b>8. Corporate Governance Statement</b> .....	xv
<b>9. Management Discussion and Analysis</b> .....	xix
<b>10. Environmental And Sustainability Reporting</b> .....	xxv
<b>11. Report of The Board of Management</b> .....	xxvii
<b>12. Statement of Board of Management’s Responsibilities</b> .....	xxviii
<b>13. Report of the Auditor General on Iten County Referral Hospital for the year ended 30<sup>th</sup> June, 2024</b> .....	xxix
<b>14. Statement of Financial Performance for The Year Ended 30 June 2024</b> .....	1
<b>15. Statement of Financial Position As At 30<sup>th</sup> June 2024</b> .....	2
<b>16. Statement of Changes in Net Asset for The Year Ended 30 June 2024</b> .....	3
<b>17. Statement of Cash Flows for The Year Ended 30 June 2024</b> .....	4
<b>18. Statement of Comparison of Budget and Actual Amounts for Year Ended 30 June 2024</b> .....	5
<b>19. Notes to the Financial Statements</b> .....	6
<b>20. Appendices</b> .....	31

*Iten County Referral Hospital, Elgeyo Marakwet County Government*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2024*

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**1. Acronyms & Glossary of Terms**

**A: Acronyms and Abbreviations**

**ALOS** - Average Length of Stay

**ANC** - Antenatal Care

**A& E** - Accident and Emergency

**CBK** - Central Bank of Kenya

**CEO** - Chief Executive Officer

**CMES** - Continuing Medical Education

**CO<sub>2</sub>** - Carbon Dioxide

**Covid19** - Coronavirus Disease 2019

**CPA** - Certified Public Accountant

**CSR** - Corporate Social Responsibility

**CT** - Computed Tomography

**DG** - Director General

**EEC** - Executive Expenditure Committee

**ENT** - Ear Nose and Throat

**FIF** - Facility Improvement Financing

**FY** - Financial Year

**GOPC** - Medical Outpatient Clinic

**H.E** - His Excellency

**HDU** - High Dependency Units

**HMB** - Hospital Management Board

**HMC** - Hospital Management Committee

**HMT** - Hospital Management Team

**HOD** – Head of Department

**IHRM** - Institute of Human Resource Management

**ICPAK** - Institute of Certified Public Accountants of Kenya

**ICPAK** - Institute of Certified Public Accountants of Kenya

**B: Glossary of Terms**

**Fiduciary Management** - Members of Management directly entrusted with the responsibility of financial resources of the organisation

**Comparative Year** - Means the prior period.

**ICRH** - Iten County Referral Hospital

**ICT** - Information and Communication Technology

**ICU** - Intensive Care Unit

**IPSAS** - International Public Sector Accounting Standards

**IPSASB** - International Public Sector Accounting Standards Board

**KEMSA** - Kenya Medical Supplies Authority

**KDSP** - Kenya Devolution Support Programme

**KMTC** - Kenya Medical Training College

**MEDS** - Mission for Essential Drugs and Supplies

**MOH** - Ministry of Health

**MOPC** - Medical Outpatient Clinic

**NHIF** - National Hospital Insurance Fund

**NSSF** - National Social Security Fund

**OAG** - Office of the Auditor General

**OEO** - Operation Eyesight Universal

**OSHA** - Occupational Safety and Health Act of 2007

**PFM** - Public Finance Management

**POPC** - Paediatrics Outpatient Clinic

**PPE** - Property Plant & Equipment

**PPP** - Public Private Partnership

**PSASB** - Public Sector Accounting Standards Board

**QHC** - Quality Healthcare

**SDGS** - Sustainable Development Goals

**SNA** - System of National Accounts

**SOPC** - Surgical Outpatient Clinic

**WB** - World Bank

## **2. Key Entity Information and Management**

### **(a) Background information**

Iten County referral Hospital (ICRH) is a level four hospital sitting on a 16-ha plot of land, established in the year 1978. Full operationalization of the outpatient department took place in 1985 and inpatient services started in June 1986. The hospital was gazette in the year 1989 via gazette notice XCL-NO. 4 and is domiciled in Elgeyo Marakwet County under the Health and Sanitation Department. The hospital is governed by a Board of Management.

### **(b) Principal Activities**

The core mandate of the hospital is to provide high quality health care services to the community. The hospital plays its role in the county by providing a wide range of health services in partnership with the greater community and other institutions. Some of the roles played by the hospital in the county include: acting as a county referral hospitals for the 6 sub county hospitals and as an intermediary to the National and Teaching referral hospitals; implementation of health policy at facility level and maintaining quality standards; Serving as a county center for provision of specialized health care; offering teaching and training for healthcare personnel such as nurses, medical interns, pharmacist interns, pharmaceutical technologist interns, laboratory technologists, health records and information officers and nutritionists; and providing technical support to sub-county hospitals and health centers.

#### **Vision**

To provide quality and efficient specialized services to its clients hence achieving excellence in healthcare for all.

#### **Mission**

Ensuring the community has equitable access to high quality patient centered specialized services that are: Timely, evidence-based, culturally appropriate and efficient; Provided by highly skilled staff who are committed, accountable and valued; and supported by leading edge research, education and technologies.

#### **Core Values**

- Team Work
- Openness
- Respect
- Empowerment
- Confidentiality

### **(c) Key Management**

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

- County department of health
- Board of Management
- Hospital Management Committee
- Accounting Officer/ Medical Superintendent
- County treasury

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2024 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Medical Superintendent	Dr. Deborah Chepchirchir
2.	Head of Nursing Services	Mrs Sheilah Barmao
3.	Head of Emergency Services	Dr Castro Mugalla
4.	Head of Internal Medicine	Dr. Sylvia Mibey
5.	Head of Surgical Services	Dr. Shazim M. Harunani
6.	Head of Paediatrics	Dr. Winfred Ndinguri
7.	Head of finance	Mr. Amos Kiptum
8.	Hospital Administrator	Mr. Paul Biwott
9.	Director Medical services	Dr. Isaac Kipyego
10.	Chief Officer Health and Sanitation	Mr. Jeremiah Chirchir
11.	Director Accounting Services	Mr. Johnkeen Murkeu
12.	Chief Officer Finance and Economic Planning	Mr. Peter Chesos

**(e) Fiduciary Oversight Arrangements**

- i) Board of Management
- ii) County Audit Committee
- iii) County Assembly Department Committee on Health

**(f) Entity Headquarters**

Iten County Referral Hospital,  
Located at: Iten Kapsowar Road, Iten,  
P.O. Box 332-37000,  
Iten, Kenya

**(g) Entity Contacts**

Telephone: (+254) 785138562  
E-mail: [icrhadmin@elgeyomarakwet.go.ke](mailto:icrhadmin@elgeyomarakwet.go.ke)

**(h) Iten County Referral Hospital Bankers**

Kenya Commercial Bank Limited, Iten Branch,

*Iten County Referral Hospital, Elgeyo Marakwet County Government  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2024*

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P. O. Box 30081 - 00100,  
Nairobi, Kenya.

Equity Bank Limited, Iten Branch,  
P.O. Box 75104 – 00200,  
Nairobi, Kenya.

**(i) Independent Auditors**

Office of Auditor General,  
Kenya National Audit Office,  
Anniversary Towers, University 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. 332 – 30700,  
Iten, Kenya

*Iten County Referral Hospital, Elgeyo Marakwet County Government  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2024*






**3. The Board of Management**

Ref	Directors	Details
1.	 <b>CPA Reuben K. Chesire Board Chairman</b>	<p>CPA Reuben K. Chesire serves as the Chairman of the ICRH Board of Management, a position he has held since his appointment on January 7, 2022. In addition, he is the Head of Government Projects &amp; Funds Sector within the Public Sector Division at the Kenya Revenue Authority (KRA). With over 20 years of professional experience, Reuben has held various key roles, including leading the Audit Program, the Compliance Unit, and serving as Sector Head for several programs.</p> <p>He holds a Master's degree in Business Administration (Finance) from the University of Nairobi and is a member of the Institute of Certified Public Accountants of Kenya (ICPAK).</p>
2.	 <b>Dr. Deborah Chepchirchir Medical Superintendent</b>	<p>She serves as a secretary of ICRH board of management. She also hold position as a medical superintended in ICRH, she as served a medical professional for the last 7 years.</p> <p>Holds bachelors in MBChB from Moi university.</p>
3.	 <b>Dr John Kibosia</b>	<p>Dr. John Kibosia serves as a board member. He is the Chief Surgical Specialist Emeritus and has held prominent leadership positions, including CEO of the Kenya Medical Training College (KMTC), Kenyatta National Hospital (KNH), and Moi Teaching and Referral Hospital (MTRH). Additionally, he has served as Director of Health for the Prisons and National Police Service (NPS).</p> <p>He Holds MBS M.B, CHB (NBI) MMed (Surgery) NBI FCS (ESCA) LEEHO (STRAT), Dip. Health Systems (Gallilee).</p>
4.	 <b>Mrs. Salome Kisang</b>	<p>Mrs. Salome Kisang is a board member with a wealth of experience in healthcare and business management. She previously served as the CEO of Kapsowar Mission Hospital and Kapsowar Medical Training College. In addition, she is the Director of Salgen Commercial Investment. Her career also includes roles as a Senior Clerk at Kenya Reinsurance Corporation and Clerk at the National Hospital Insurance Fund (NHIF).</p> <p>Mrs. Kisang holds a Master's degree in Business Administration (MBA) with a focus on Strategic Management, a Bachelor of Commerce (B.Com) in Human Resource Management, and a Diploma in Business Management. She has also completed CPA Section 1 and 2 and holds an ACNC Certificate in Accounting.</p>






*Iten County Referral Hospital, Elgeyo Marakwet County Government  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2024*

5.	 Mr. Elias K.A. Komen	<p>Mr. Elias K.A. Komen serves as a board member and is a highly experienced education administrator. Over the years, he has held key leadership roles as the Principal of St. Patrick's Iten and Chief Principal at several teachers' training institutions, including Tambach Teacher's College, Eregi Teacher's College, Kericho Teacher's College, and Moi Baringo Teacher's College.</p> <p>Mr. Komen holds HSC. S1 (KSTC) and a Bachelor of Education (B.Ed.) degree from McGill University.</p>
6.	 Mrs. Naumy J. Kurui	<p>Mrs. Naumy Jemutai Kurui serves as a board member and is a specialist in occupational safety, health, and environmental management. She holds a Master of Science (MSc) in Occupational Safety and Health from Jomo Kenyatta University of Agriculture and Technology (JKUAT) and a Bachelor of Technology (BTech) in Chemical and Processing Engineering from Moi University.</p> <p>She is an Approved Occupational Safety and Health (OSH) Adviser in Kenya and a National Environment Management Authority (NEMA) lead expert. Mrs. Kurui is also a practicing consultant in safety, health, and environmental management.</p>
7.	 Dr. Jeremiah Laktabai	<p>Dr. Jeremiah Laktabai is a board member and a highly accomplished medical professional. He currently serves as the Assistant Executive Director for Care Programs in Population Health at AMPATH, affiliated with Moi University. He is also the Chair of the Department of Family Medicine and Medical Education and a lecturer in the Department of Family Medicine at Moi University.</p> <p>Dr. Laktabai holds a Master of Medicine (MMed) in Family Medicine and a Bachelor of Medicine and Surgery (MBChB), both from Moi University.</p>
8.	 Mr. Charles L. Chemursoi	<p>Mr. Charles Limo Chemursoi is a board member and a Senior Laboratory Technologist (CMLT) with specialized expertise in parasitology. He holds a Diploma in Medical Laboratory Technology (DMLT) and a Higher National Diploma (HND) in Medical Laboratory Technology, with a focus on parasitology, from the Medical Training College in Nairobi. He also holds a Bachelor of Science (BSc) in Zoology from Moi University and a Master of Science (MSc) in Parasitology, with a thesis on Leishmaniasis, from the University of Eldoret (UOE). Mr. Chemursoi has served as the Officer in Charge for the Division of Vector Disease in Baringo and Elgeyo Marakwet counties, Kapsabet, and at the Moi University Staff/Student Clinic in the School of Medicine, Eldoret.</p>

**4. Key Management Team**

Ref	Management	Details
1	 <b>Dr. Deborah Chepchirchir</b> Medical Superintendent	Medical Superintendent
2	 <b>Dr Castro Mugalla</b> MBChB, MMed Family Medicine	Head of Emergency Services
3	 <b>Dr Sylvia Mibey</b> MBChB, MMed Internal Medicine	Head of Internal Medicine
4	 <b>Dr. Shazim M. Harunani</b> MBChB, MMed General Surgery	Head of Surgical Services
5	 <b>Dr. Winfred Wangui Nding'uri</b> MBChB, MMed Child Health and Paediatrics	Head of Peadiatrics Services

*Iten County Referral Hospital, Elgeyo Marakwet County Government  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2024*

6	 <b>Mr. Paul Biwott</b> Bachelor of Arts in Public Administration, Dip in Personnel Management	Hospital Administrator
7	 <b>Mr. Joseph Bunei</b> BScN., Cert. Comprehensive Reproductive health, Higher diploma in C.C.N, Dip. K. R. C. H. N.	Head of Nursing Services
8	 <b>Dr. Isaac Kipyego</b> MBCh/MMED Family Medicine	Director Medical Services
10	 <b>Mr. JohnKeen Murkeu</b> MBA-Finance, CPA (K)	Director Accounting services
10	 <b>Mr. Amos Kiptum</b> MBA, BBM, CPA (K)	Head of Finance

### **5. Chairman's Statement**



I am honored to present the Annual Report and Financial Statements for Iten County Referral Hospital (ICRH) for the year ending 30<sup>th</sup> June 2024. ICRH remains steadfast in its mission to provide healthcare services that improve and protect the health of the residents, staff, and visitors of Elgeyo Marakwet County. Despite facing numerous challenges due to the broader economic downturn, the Financial Year 2023/2024 has been a year of remarkable achievements. The Board of Management is proud of the hospital's resilience in maintaining its mandate and leadership as a county referral hospital.

Kenya's Vision 2030 serves as a crucial roadmap, driving the country toward becoming an industrialized, middle-income nation by 2030. Within the health sector, this vision strives to ensure that all citizens have access to equitable, affordable, and high-quality healthcare. Achieving these goals requires a transformation of healthcare delivery systems, prioritizing preventive and promotive healthcare. Key focus areas, such as access, equity, quality, and institutional capacity, will be addressed through devolution, transferring healthcare delivery responsibilities and resources to the counties. This will allow for more localized control, fostering greater accountability and responsiveness to community needs.

As the primary healthcare facility in the county, ICRH offers a broad range of specialized services, including surgery, critical care, oncology, ophthalmology, radiology, palliative care, and renal services, among others. Building on a foundation of past successes, supported by robust systems and processes, the year 2023/2024 has reinforced our commitment to delivering high-quality, personalized care through innovative approaches. Our dedication remains firmly rooted in the goal of achieving the highest standards of patient care.

The management and operations of ICRH are guided by the legal, policy, and institutional frameworks that shape the health sector. These frameworks ensure the effective and efficient delivery of healthcare services, fully aligned with the Kenya Health Sector Strategic and Investment Plan 2018–30. Our hospital's focus is on strengthening healthcare systems to deliver quality services for all, as enshrined in the Constitution of Kenya, 2010 and the long-term objectives of Vision 2030. Areas for investment include building a resilient health system capable of responding to disease outbreaks and adapting to epidemiological changes, while improving health information systems for better performance monitoring and evidence-based decision-making. Given ICRH's strategic importance within the county's healthcare ecosystem, the Board is committed to ensuring the continuous delivery of high-quality services.

The hospital has navigated a challenging and evolving healthcare environment, necessitating ongoing improvements in service delivery. The Board remains fully committed to investing resources and supporting initiatives that will sustain ICRH's position as a leader in healthcare services.

On behalf of the Board, I would like to extend our sincere appreciation to our stakeholders, especially the County Department of Health, the County Treasury, and our valued partners, whose unwavering support has been instrumental in our achievements. Their collaboration and dedication have enabled ICRH to meet its goals. I also wish to express my deepest gratitude to

*Iten County Referral Hospital, Elgeyo Marakwet County Government  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2024*

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our hardworking staff, specialists, team leaders, and fellow Board members. Their dedication to their roles, their embodiment of the hospital's mission and values, and their continued commitment to excellence are truly commendable.

Finally, I am confident that our strategy, together with our talented and dedicated staff, will continue to drive our growth and success in the years ahead, as it has done so effectively in the past.



.....  
**CPA Reuben K. Chesire**

**Chairman to the Board**

**6. Report of The Medical Superintendent**



I am pleased to present the Annual Report and Financial Statements of Iten County Referral Hospital (ICRH) for the fiscal year 2023/24. This report provides an overview of the hospital’s operational and financial performance, alongside our strategic direction as we look to the future.

In our continuous effort to ensure equitable access to high-quality, patient-centered specialized services, ICRH employs specialists across all medical disciplines. These professionals work tirelessly to deliver timely, evidence-based, and culturally appropriate care to our patients. Our highly skilled and dedicated staff is supported by the latest research, education, and technologies, ensuring that our patients receive the best care possible. During the 2023/24 fiscal year, ICRH provided care to 96,434 patients, representing an 8.8% decrease in outpatient visits compared to the previous year’s 99,825. The hospital also recorded 14% decrease in inpatient admissions during the same period.

Quality improvement is deeply embedded in all aspects of our hospital’s operations. ICRH continues to meet or surpass the performance metrics established by both the county and national governments. Our focus on enhancing patient safety and experience is reflected in several key initiatives aimed at reducing hospital-acquired infections, medical errors, falls, and occurrences of venous thrombosis. To support these efforts, we established the Department of Quality Healthcare (QHC), which oversees clinical governance, infection prevention and control, patient safety, and monitoring and evaluation. Additionally, we have developed and implemented protocols, standard operating procedures (SOPs), and guidelines for patient management. Enhancements to our customer care services and process improvements have also been introduced to strengthen patient-caregiver engagement.

In terms of financial performance, ICRH received in-kind support from the county government totaling Kshs. 429 million during the fiscal year. This funding covered pharmaceutical and non-pharmaceutical supplies as well as personnel emoluments. The hospital relies heavily on internally generated revenue to meet its operational and maintenance costs, with cost-sharing revenue being the largest contributor. In the 2023/24 period, ICRH generated Kshs. 219.2 million in revenue, which was slightly below the target of Kshs. 232.4 million.

However, the hospital experienced a deficit of Kshs. 23 million during the same period. This shortfall was primarily due to the increasing funding gap for medical supplies from the county government, which in turn led to higher hospital bills. To cover this gap, ICRH had to utilize internally generated funds, which has impacted our financial sustainability.

We are immensely grateful to all stakeholders who have played a role in our growth and success. A special thank you goes out to Team ICRH for their unwavering dedication and professionalism in delivering exceptional services. We also extend our appreciation to our Board of Management, led by CPA Reuben K. Chesire, for their leadership and to all our development partners for their invaluable support in advancing the hospital’s growth strategy.

Together, we will continue to strive for excellence and ensure that ICRH remains a pillar of quality healthcare in Elgeyo Marakwet County.

  
.....  
**Dr Deborah Chepchirchir**  
**Secretary to the Board**

## 7. Statement of Performance Against Predetermined Objectives

The ICRH's performance for FY 2023/24 was evaluated against four strategic enablers outlined in its current Strategic Plan (FY 2022/23 - FY 2027/28): governance, infrastructure, finances, and human resources.

**Governance, Leadership, and Management:** ICRH is focused on enhancing its leadership to ensure alignment with its mission and vision. By improving governance and stakeholder relationships, the hospital aims to inspire staff commitment to its strategic objectives.

**Infrastructure and Equipment:** The hospital continues to modernize its facilities, equipment, and technology to improve patient care. However, the current state of its infrastructure is unsatisfactory, necessitating renovations, expansions, and new construction to meet growing service demands.

**Finances for Sustainability:** ICRH is working on securing government funding and exploring new funding opportunities. Efforts to mobilize resources are ongoing, with a focus on efficient utilization and accountability of financial resources to ensure sustainability.

**Human Resource Development:** Developing human capital is critical to achieving the hospital's goals. ICRH is committed to ensuring that its workforce is adequate, skilled, and motivated to enhance service efficiency and effectiveness.

ICRH develops its annual work plans based on these four enablers, and the Board assesses performance quarterly. For FY 2023/24, ICRH successfully met its performance targets in all four areas.

Strategic Pillar	Objective	Key Performance	Activities	Achievements
Governance, leadership and management	- Ensure legal framework supports hospital autonomy	- Number of policies developed - Number of planning meetings	- Engage with county health leadership - Develop legal framework	- 12 policies developed - 4 planning meetings held.
	- Strengthen capacity building for hospital management	- Number of trainings held - Annual performance reviews	- Identify capacity gaps - Conduct training for HMB and HMT	- 4 trainings conducted - Annual assessments completed
	- Enhance committee performance and communication	- Number of committee meetings - Development of hospital organogram	- Review and streamline committees - Develop hospital organogram	- 12 committee meetings held - Organogram developed

***Iten County Referral Hospital, Elgeyo Marakwet County Government  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2024***

	- Improve hospital quality assurance	- Quality assurance unit established - Quality program implemented - descriptions program in place	- Establish quality assurance unit - Implement quality program	- Quality assurance unit established - Quality program operational
Human resource development	- Strengthen professional development	- Number of CMEs and HOD trainings held - Training programs developed	- Conduct training needs assessment - Develop staff training programs	- 12 CMEs held - 4 HOD training sessions conducted
	- Enhance customer care	- Number of new staff recruited	- Conduct public relations training - Establish suggestion boxes	- 4 staff trained
	- Enhance customer care	- Number of customer care trainings - Number of assessments conducted	- Conduct public relations training - Establish suggestion boxes	- 1 customer care training - 1 suggestion boxes established
	- Improve performance management systems	- Number of units with performance targets - Support supervision reviews	- Set performance targets for units - Conduct regular supervision	- Performance targets set for units - Support supervision strengthened
Finances for sustainability	- Ensure transparency and accountability	- Number of committees restructured - Number of financial training sessions	- Restructure committees for resource monitoring - Train HODs in financial management	- 1 committee restructured - 4 financial training sessions conducted
	- Scale up resource mobilization	- Number of resource strategies developed	- Develop resource mobilization strategy - Review hospital service charges	- Resource strategy developed - Service charges reviewed
	Enhance the financial management system Automate financial systems	- Number of departments automated	- Implement integrated financial management system	- 12 departments automated
Infrastructure and Equipment	Ensure adequate infrastructure meets safety and service standards	- Number of buildings meeting infrastructure standards	- Form infrastructure committee - Develop master plan	- 1 Committee formed - 4 buildings meeting standards
	Expand equipment and physical space	- Number of new medical equipment procured	- Benchmark physical space usage	- CT scan repaired
	Expand equipment and physical space	- Number of ambulances	- Procure modern equipment	- 5 new medical equipment

## **8. Corporate Governance Statement**

ICRH acknowledges the significance of establishing a robust corporate governance framework, procedures, and protocols, and is deeply committed to maintaining high standards of transparency, accountability, responsibility, and equity within the Hospital and towards our stakeholders. The Board is tasked with supervising how Management effectively serves the interests of shareholders and other stakeholders concerning environmental, social, and governance aspects, as well as matters pertaining to risk management, regulatory and governmental shifts, and global trends.

### **The Board of Management**

The composition of the ICRH Board of Management adheres to the guidelines outlined in the County Government Act of 2012, consisting of 9 members. The selection of Board members emphasizes diversity in gender, age, ethnicity, and culture. Furthermore, the current Board possesses a wide range of expertise and experience in areas such as medicine, finance, community development, and administration. External specialists and independent professional advisors are consulted as necessary to supplement the Board's capabilities.

### **Appointment of the Board**

The Chairman of the Board, along with 7 additional members, are appointed by H.E. the Governor. The Hospital In-Charge serves as an ex officio member and acts as the secretary to the Board. Each member serves a maximum of two terms, each lasting three (3) years. The names of all members and any changes are officially published in the Kenya Gazette.

### **Board of Management Composition**

The members of the Board of Management who served during the year are as shown below:

**Table 2: Board Composition**

<b>Board Member</b>	<b>Board Position</b>	<b>Appointment date</b>	<b>Retire Date</b>
CPA Reuben K. Chesire	Chairman	07/01/2022	30/06/2025
Dr. Deborah Chepchirchir	Medical superintendent	07/01/2022	30/06/2025
Dr. John Kibosia	Member	07/01/2022	30/06/2025
Mrs. Salome Kisang	Member	07/01/2022	30/06/2025
Mr. Elias K.A. Komen	Member	07/01/2022	30/06/2025
Mrs. Naumy J. Kurui	Member	07/01/2022	30/06/2025
Dr. Jeremiah Laktabai	Member	07/01/2022	30/06/2025
Mr. Charles L. Chemursoi	Member	07/01/2022	30/06/2025
Mrs Esther Kibor	Member	07/01/2022	30/06/2025

### **Role of the Chairman**

The Chairman holds the responsibility for providing strategic leadership to the board, playing a pivotal role in fostering conditions for the board's overall effectiveness. These include promoting an open environment for discussion, ensuring all members can freely express their views and contribute effectively. The Chairman also ensures that the board actively participates in shaping the Hospital's strategies and policies. Moreover, they oversee the scheduling of board meetings as needed and ensure that members receive accurate, timely, and adequate information to fulfill their duties effectively.

### **Role of the Board**

The Board of Management, with the support of Board Committees and the Secretary-Medical Superintendent, bears the responsibility for promoting good corporate governance and stewardship of the Hospital. The Board, with its Committees, offers strategic guidance, while the Medical Superintendent, aided by the Hospital Management Team, is accountable to the Board for executing the strategy. Board members are expected to demonstrate responsibility, prudence, and skillfulness in carrying out their fiduciary duties on behalf of the Hospital.

The roles and responsibilities of the Board as set out in the Board Charter include:

- (i) Establishing the Hospital's strategic direction and priorities, and adopting business plans proposed by management for the achievement of the strategic objectives
- (ii) Monitoring and evaluating the implementation of strategies, policies, management performance criteria and business plans.
- (iii) Providing oversight in financial reporting to the Government and communication to stakeholders.
- (iv) Ensuring availability of adequate resources for the achievement of the Hospital's objectives.
- (v) Safeguarding Hospital assets by instituting appropriate internal control systems.
- (vi) Reviewing succession planning for the management and making senior executive appointments, organizational changes and remuneration issues.
- (vii) Overseeing business affairs of the Hospital in light of emerging risks and opportunities.
- (viii) Ensuring the Hospital complies with all relevant laws, regulations and codes of best business practices.
- (ix) Approving annual budgets.

### **Board work plan and meetings**

A work plan outlining an annual schedule of meetings for the Board and its committees is prepared in advance. The Chairman, in collaboration with the medical superintendent, determines the agenda for each Board meeting, which is then circulated to members at least seven days prior to the meeting.

*Iten County Referral Hospital, Elgeyo Marakwet County Government  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2024*

In the year under review, the Board held a total of 4 meetings to consider pertinent issues relating to strategy, business performance and sustainability of the Hospital.

**Table 3: Board and committee meeting attendance**

Board Member /Total No of meetings	Board meetings	Board Committees			
		Clinical Research & Standards Committee	Human Capital Finance & Administration	Corporate Strategy & Enterprise	Risk & Audit
	<b>4</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
CPA Reuben K. Chesire	4/4		1/1		
Dr. Deborah Chepchirchir	4/4	1/1		1/1	
Dr John Kibosia	4/4	1/1			1/1
Mrs Salome Kisang	2/4		1/1		
Mr. Elias K.A. Komen	4/4		1/1	1/1	
Mrs. Naumy J. Kurui	4/4				1/1
Dr. Jeremiah Laktabai	4/4	1/1			
Mr. Charles L. Chemursoi	4/4			1/1	1/1
Mrs Esther Kibor	0/4		0/1		

### **Board Committees and Responsibilities**

To improve efficiency and effectiveness, the Board established four standing committees with well-defined terms of reference covering key operational areas. These committees operate with delegated authority without diminishing the Board's overall accountability. Committee members are appointed based on their relevant skills and experience.

When required, the Board may establish an ad hoc committee to address specific issues not within the purview of existing committees. The medical superintendent serves as the secretary to all Board committees except the Audit and Risk Committee, for which the Head of Internal Audit fulfills this role.

### **Board Committees and Roles**

#### **Clinical Research & Standards Committee**

- (i) Identifying health care service problems in the hospital and ensuring that they are resolved;
- (ii) Review any changes on policy issues on standards, quality assurance and research;
- (iii) Liaise with the Medical Advisory Committee on matters of quality health care delivery; and Undertake comprehensive quarterly evaluation of standards, quality assurance programs in the hospital based on health professional's handbook on quality management in health care in Kenya.

**Human Capital, Finance & Administration Committee**

- (i) Monitoring the Hospital annual budget and overseeing the Hospital's financial management.
- (ii) Monitoring the Hospital annual procurement plan and overseeing procurement of goods and services.
- (iii) Establishing human resource policies and corporate organizational structure;
- (iv) Appointment, promotion and disciplinary issues of senior staff ;
- (v) Establishing remuneration structure for the staff ;
- (vi) Developing succession plan for senior staff ; and
- (vii) Reviewing performance of the staff pension scheme.

**Corporate Strategy Enterprise Committee**

- (i) Reviewing the Five-Year Corporate Strategic Plan and oversees the annual implementation of the Hospital's strategy.
- (ii) Advising the Board on strategies to enhance performance of the Hospital;
- (iii) Monitoring major projects under implementation and directing strategies for improving customer service;
- (iv) resource mobilization and forging partnerships/linkages;
- (v) Overseeing realization of the targets set out in the Board's Performance Contract.

**Risk and Audit Committee**

- (i) Reviewing quarterly, half-yearly and annual financial statements before submission to the Board;
- (ii) Reviewing the performance, objectivity, and independence of external auditors;
- (iii) Consideration of audit findings by the external auditors;
- (iv) Monitoring and reviewing the effectiveness of the Hospital's internal audit function;
- (v) Reviewing the Hospital's internal control and ensuring quality, integrity, effectiveness and reliability of the Hospital's risk management framework; and
- (vi) Ensuring adherence to the code of ethics and integrity in financial transactions of the Hospital.

## 9. Management Discussion and Analysis

### Clinical Performance

Iten County Referral Hospital (ICRH) remains dedicated to offering a comprehensive range of specialized healthcare services to the residents of Elgeyo Marakwet County and surrounding areas. These services encompass outpatient general care, accident and emergency services, dental care, ear, nose, and throat (ENT) services, orthopedics, mental health services, physiotherapy, ophthalmology, dermatology, oncology, renal care, minor surgical procedures, and nutrition services, alongside comprehensive care clinics.

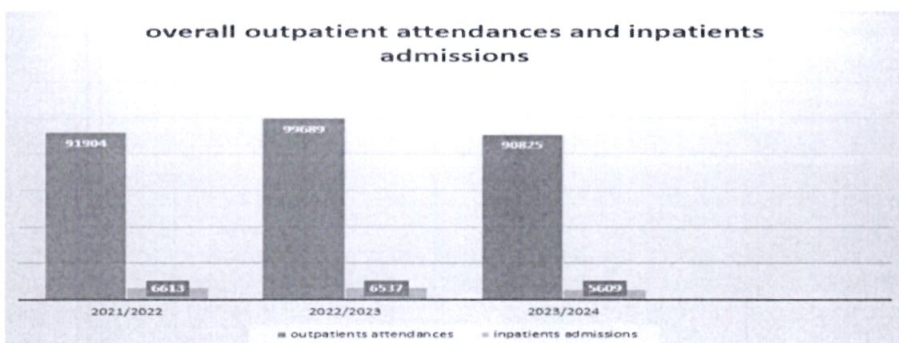
Clinical support services include laboratory services, radiology which encompasses CT scans, ultrasound, mammograms, endoscopy, and pharmacy services. Specialties available for consultation include pediatrics, internal medicine, surgery, and obstetrics/gynecology. Mother-child services such as antenatal and postnatal care, as well as immunization, are provided. Given our county's prominence in athletics and sports, we offer allied health and sports medicine services.

Inpatient services include general medicine, surgical procedures, pediatrics, maternity care, obstetrics/gynecology, mental health care, and palliative care. Additionally, rehabilitative services, high dependency units (HDU/ICU), and theater operations are also available.

### Overall patient attendance

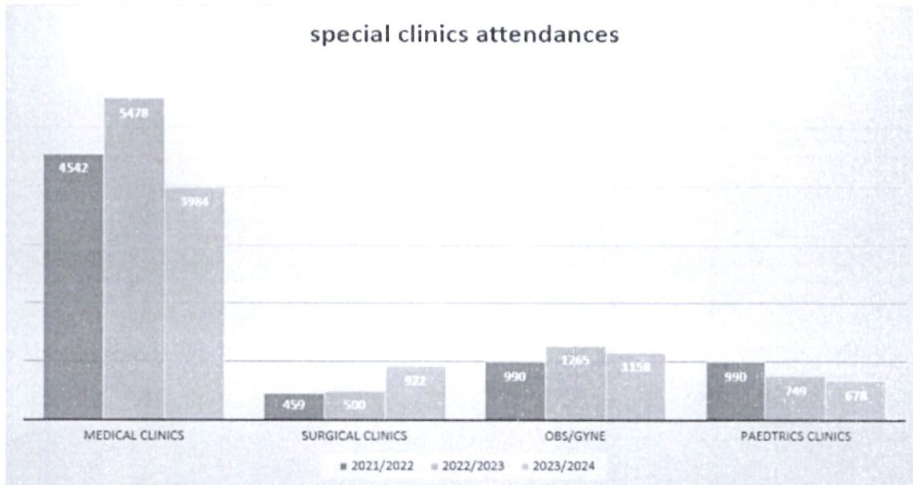
In the fiscal year 2023/24, ICRH experienced a decline in outpatient visits, totaling 90,825, and inpatient admissions, which dropped to 5,609. This decrease is primarily attributed to a doctors' strike that affected service delivery. This trend follows the 2022/23FY, where outpatient visits were recorded at 99,639 and inpatient admissions at 6,537. The prior year had already shown a slight reduction compared to 2021/22FY, when we documented 91,904 outpatient visits and 6,613 admissions. Despite these declines, we observed improvements in service efficiency and increased utilization of NHIF coverage.

**Figure 1: Overall patients' attendance.**



**Specialized Clinics Attendance.**

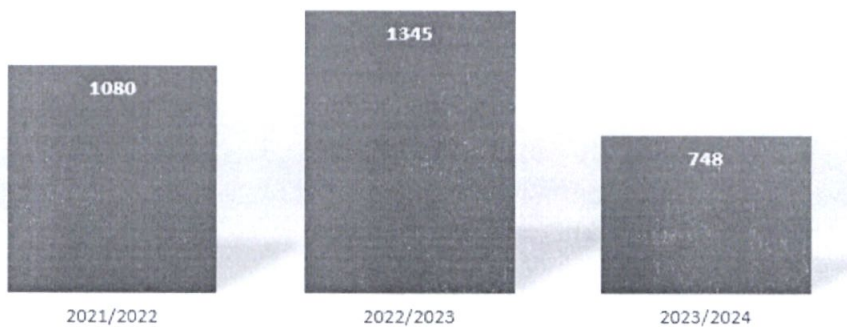
ICRH operates various specialist clinics aimed at monitoring and treating patients who require specialized care. Attendance trends in these clinics have varied over the past three years, with 2023/24FY experiencing a decline in Computerized Tomography (CT) scan services, which fell to 748 from 1,345 in 2022/23 and 1,080 in 2021/22, mainly due to equipment issues. Surgical theater activities have also varied during these periods, as depicted in the accompanying charts.



**Computerized Tomography scan**

In the financial year 2023/24, Iten County Referral Hospital experienced a notable decline in CT scan services, with only 748 scans performed. This represents a significant drop compared to the previous financial years, where 1,080 scans were recorded in 2021/22 and 1,345 in 2022/23. The reduction in the current year is primarily due to equipment malfunction, which hindered the availability and accessibility of this vital diagnostic service.

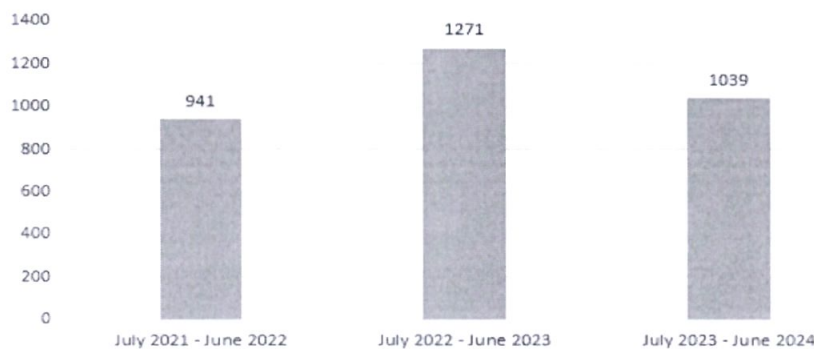
**CT SCAN UTILIZATION**



**Surgical theatre utilization**

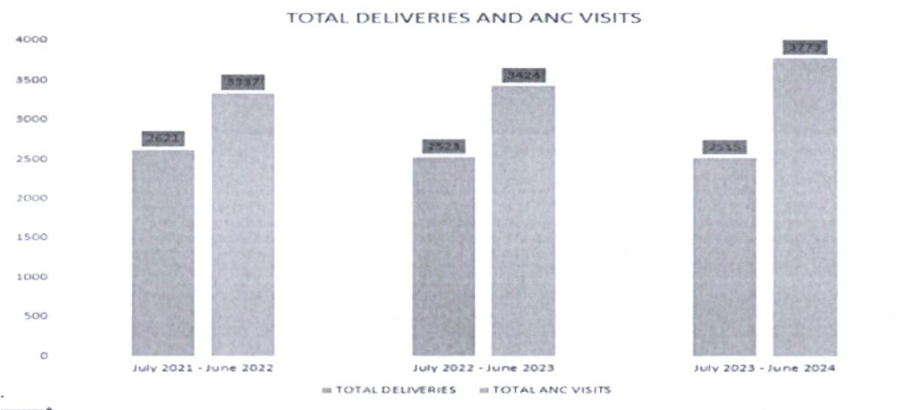
The total number of surgical operations conducted at Iten County Referral Hospital over the past three financial years illustrates a trend in theatre utilization. In the financial year 2023/24, there has been a notable increase in surgical procedures compared to the previous years, demonstrating enhanced operational efficiency and an uptick in service delivery. The data highlights the hospital's commitment to meeting the surgical needs of patients, reflecting improvements in both staffing and resource allocation. This trend underscores the hospital's ongoing efforts to provide high-quality surgical care to the community.

**Theatre Operations**



**Reproductive health**

In the financial year 2023/24, Iten County Referral Hospital has experienced an overall increase in maternity and antenatal care services, highlighted by a rise in antenatal clinic (ANC) visits and maternity deliveries. However, there was a slight decrease in ANC visits compared to the previous year, which may require further investigation to understand the underlying factors. The accompanying figure illustrates the number of ANC visits and maternity deliveries, emphasizing the hospital's commitment to providing essential reproductive health services. The figure below illustrates number of ANC visits and number of deliveries.



### **Accidents and Emergency (A&E) services**

The Accident and Emergency (A&E) department has seen an upward trend in patient numbers during the same period. As the primary entry point for urgent care, the A&E has improved its triage services, focusing on attending to referred and emergency patients. This enhancement in service delivery reflects the hospital's dedication to managing acute cases effectively, ensuring timely interventions and optimal patient outcomes.

### **Bed Capacity**

In the financial year 2023/24, Iten County Referral Hospital (ICRH) expanded its inpatient services, which include general medicine, surgery, maternity care, pediatrics, emergency services, palliative care, and obstetrics/gynecology. The bed capacity increased significantly to 300 beds, up from 170 beds in the previous financial year (2022/23), thanks to the addition of a modern mother and baby unit.

### **Average Length of Stay.**

The average length of stay (ALOS) in the hospital remains a crucial metric for assessing the efficiency of inpatient healthcare delivery. For the year 2023/24, the ALOS was recorded at 6.5 days, consistent with previous assessments, although surgical wards reported a longer average length of stay.

### **Bed Occupancy Rate.**

In the financial year 2023/24, the bed occupancy rate experienced a slight decline to 63%, down from 68% in 2022/23. This decrease can be attributed to the increased bed capacity and occasional doctor strikes. In contrast, the occupancy rate had previously averaged 64% in the financial year 2021/22. Despite these fluctuations, the specialized and high-quality care provided by the hospital continues to attract patients from within and beyond the county.

### **Mortality Rate.**

During the review period, the average mortality rate stood at 6.3%, a decrease from 7.1% in the prior financial year. This improvement is indicative of the hospital's effective management of critically ill patients referred for specialized care.

### **Patient Safety.**

ICRH is committed to enhancing patient safety, recognizing it as a fundamental aspect of healthcare delivery. The hospital has implemented strategies to reduce hospital-acquired infections, minimize medical errors, and decrease the incidence of falls and venous thrombosis, thereby fostering a safer environment for all patients.

### **Sponsorships and partnerships**

ICRH Hospital has benefited from the support of various organizations and individuals who have contributed to improving patient care and expanding services. Below are some key partnerships and donations received during the year:

- (i) **Safaricom Foundation:** Safaricom donated 30 wheelchairs to the hospital, which have significantly enhanced the mobility and independence of our patients.
- (ii) **SDA Church Blood Drive:** Members of the SDA Church organized a blood drive that resulted in the collection of 63 units of blood, aiding critical surgeries and emergency cases.
- (iii) **National Youth Service (Chepsirei) Blood Donation:** The National Youth Service also contributed to our blood bank with 55 units of blood donated.
- (iv) **Eye Clinics by Operation Eyesight International:** Our partnership with Operation Eyesight International allowed us to conduct free eye clinics, treating 400 patients for various conditions including cataracts and glaucoma.
- (v) **Landscaping and Equipping of Mother and Baby Unit by Kenya Devolution Support Programme (KDSP):** Equipping of maternity facility which hosts mother and baby center, a theatre, an 8-bed delivery wing and 80 bed in-patient wing amounting to Ksh. 82.5 million and Landscaping amounting to Kshs. 12.9 million.

### **Financial Highlights**

#### **Financial Performance**

The financial performance of ICRH during the year under review reflects a continued reliance on multiple sources of funding, including the Facility Improvement Funds (FIF), free maternity services reimbursements, and rebates from the National Hospital Insurance Fund (NHIF). Additionally, the hospital received significant support from the County Government of Elgeyo Marakwet, the Ministry of Health, and various development partners.

For the financial year 2023/24, ICRH demonstrated notable revenue growth. The hospital's total revenue increased by 163%, rising from Kshs. 134 million in 2022/23 FY to Kshs. 219.2 million. This growth can be attributed to enhanced resource mobilization strategies and the expansion of hospital services.

In addition to internally generated revenue, ICRH received substantial external support. The County Government of Elgeyo Marakwet supplied medical drugs worth Kshs. 30.9 million. Furthermore, the county took on the responsibility of paying employee salaries, which amounted to Kshs. 398 million during the period under review. These external contributions significantly helped in the hospital's operations.

*Iten County Referral Hospital, Elgeyo Marakwet County Government*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2024*

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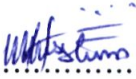
The revenue generated during the year was used to cover hospital expenditures amounting to Kshs. 172 million, which included costs associated with service delivery, maintenance, and procurement.

**Performance Results**

While the hospital made strides in increasing its revenue by 150%, it faced financial challenges in terms of expenditure management. Despite the improvement in revenue, ICRH recorded a deficit of Kshs. 23 million during FY 2023/24, a slight improvement compared to the previous year's deficit of Kshs. 64 million. The deficit highlights the ongoing need for more robust financial sustainability strategies and enhanced efficiency in resource utilization.

Moving forward, ICRH aims to implement measures to further reduce the deficit, such as refining cost management processes, scaling up resource mobilization efforts, and pursuing new partnerships to diversify funding streams. By addressing these financial challenges, ICRH seeks to position itself for long-term sustainability while continuing to deliver high-quality healthcare services.

The hospital's financial performance, while demonstrating revenue growth, also underscores the importance of securing more sustainable funding models and enhancing operational efficiencies. Moving forward, ICRH will continue to focus on improving financial management and diversifying its revenue streams to ensure long-term sustainability and improved healthcare service delivery.

Sign:  ..... Date: 9<sup>th</sup> December, 2024

**Dr. Deborah Chepchirchir**  
**Secretary to the Board**

## **10. Environmental And Sustainability Reporting**

At Iten County Referral Hospital (ICRH), we face a variety of sustainability challenges, reflected through the Triple Bottom Line framework, People, Planet, and Profit. As a county referral hospital, sustainability is integral to our operations, aligning with our goal to create long-term value for our stakeholders and communities. Our commitment extends beyond healthcare services, emphasizing environmental and social responsibility to ensure sustainable success and operational longevity. We are dedicated to upholding high standards of corporate governance, ethics, and integrity as we contribute to the nation's healthcare system.

Recognizing our role in reducing health disparities and advancing sustainability, ICRH integrates sustainability commitments into every aspect of our operations. Our strategic focus is on developing and executing initiatives that deliver real, lasting benefits to our stakeholders. With a commitment to becoming the healthcare provider of choice, we strive to create enduring value for all stakeholders by addressing material issues that help categorize our economic, environmental, and social impacts.

### **i) Sustainability Strategy and Profile**

ICRH's sustainability strategy focuses on meeting current needs while maintaining environmental responsibility and promoting a healthy, equitable society. We ensure compliance with national and regional regulations, emphasizing efficient facility management to reduce energy use and CO2 emissions. Collaborating with suppliers and stakeholders, we uphold high standards for sustainable healthcare and encourage environmental and social contributions from our workforce. By working with sustainability specialists, we share best practices to maximize resource efficiency, regularly measuring and reporting our progress. ICRH's corporate governance is based on accountability, transparency, and integrity. We foster a culture of ethical behavior, with all employees expected to uphold integrity principles in line with Kenya's Constitution, 2010, and public service laws.

### **ii) Environmental Performance**

In both clinical and office settings, we encourage employees to reduce energy consumption by adopting energy-efficient practices, such as turning off computers and lights when not in use. Additionally, we utilize environmentally friendly packaging for medications and manage medical waste through clearly labeled disposal bags for clinical waste, recyclables, and food waste. Staffs are provided with personal protective equipment to ensure safety during waste management.

As part of our environmental conservation efforts, ICRH planted over 500 trees in the past year. We are also involved in solid waste management campaigns within the community and provide clean water to local communities, although challenges such as prolonged drought and community dependency on hospital support have hindered some of these initiatives.

### **iii) Employee Welfare**

ICRH is committed to providing a healthy and supportive work environment. We offer comprehensive NHIF health coverage to all employees and encourage continuous

professional development through training programs in leadership, management, and technical skills. The hospital also promotes the physical and mental well-being of its employees, adhering to Occupational Safety and Health (OSHA) policies guided by the County Human Resource policies. We are dedicated to fostering a culture of equality, diversity, and inclusion, delivering services that are responsive to the diverse needs of our employees, patients, and their families. ICRH also supports collective bargaining through employee unions.

**iv) Market place Practices**

Our core mission is to improve the health and well-being of our community through innovative, high-quality healthcare services. We maintain a strong reputation for excellence by consistently meeting safety and regulatory standards, ensuring that all products and services provided meet both ethical and legal requirements.

**v) Responsible Competition Practices**

As a leading healthcare provider in the region, ICRH sets an example of responsible business conduct. We adhere to all applicable laws and regulations and engage regularly with governmental bodies to ensure compliance in operations, renovations, and expansions. Our healthcare services are designed to be affordable, with pricing determined by the County Finance Act, passed by the County Assembly of Elgeyo Marakwet.

**(a) Responsible Supply Chain and Supplier Relations**

The procurement department at ICRH plays a key role in supporting our sustainability objectives. We ensure that the purchasing of goods and services aligns with the ICRH Quality Strategy, promoting sustainable development and a low-carbon economy throughout the supply chain. ICRH complies with the Public Procurement and Asset Disposal Act, 2015, and related county policies. We prioritize partnerships with suppliers who adhere to best practices and contractual agreements, ensuring the highest quality of service and goods.

**(b) Responsible Marketing and Advertisement**

Under the Health Act of 2017, healthcare advertising is regulated to ensure ethical practices in the licensing, testing, and promotion of health products. As a public hospital, ICRH does not advertise its services.

**(c) Product Stewardship**

ICRH's Product Stewardship program focuses on minimizing the environmental impact of healthcare products and packaging throughout their life cycle. We prioritize patient safety and satisfaction while ensuring affordability in line with the County Finance Act.

**vi) Corporate Social Responsibility (CSR) and Community Engagement**

ICRH's commitment to social responsibility drives us to fulfill public healthcare needs, particularly for marginalized and vulnerable communities. Although no specific CSR activities were conducted this year, we remain dedicated to improving lives through inclusive healthcare and raising awareness of disease prevention and interventions.

**11. Report of The Board of Management**

The Board members submit their report together with the Audited Financial Statements for the year ended June 30, 2024, which show the state of the hospital's affairs.

**Principal activities**

The principal activities of the entity are:

1. To receive patients on referral from other Hospitals or Health facilities within or outside Elgeyo Marakwet County for Specialized Healthcare.
2. To assure provision of Quality health care services, disaster preparedness and response
3. To Strengthen availability of essential medicines, medical equipment and supplies
4. To maintain and improve hospital infrastructure and means of transport to meet the demands for service delivery.

**Results**

The results of the entity for the year ended June 30<sup>th</sup>, 2024 are set out on page 1-5.

**Board of Management**

The members of the Board who served during the year are shown on page vii - viii. During the year 2024 no director retired/ resigned and 9 was appointed with effect from January, 2022.

**Auditors**

The Auditor General is responsible for the statutory audit of the ICRH in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board

Sign:  ..... Date: 9<sup>th</sup> December, 2024

**Dr. Deborah Chepchirchir**  
Secretary to the Board

## 12. Statement of Board of Management’s Responsibilities

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

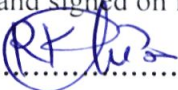
The Board of Management is responsible for the preparation and presentation of the ICRH’s financial statements, which give a true and fair view of the state of affairs of the ICRH for and as at the end of the financial year (period) ended on June 30, 2024. This responsibility includes: (i) maintaining 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 ICRH; (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 entity’s financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Public Audit Act, 2015. The Board members are of the opinion that the ICRH’s financial statements give a true and fair view of the state of ICRH’s transactions during the financial year ended June 30, 2024, and of the ICRH’s financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the ICRH, which have been relied upon in the preparation of the ICRH’s financial statements as well as the adequacy of the systems of internal financial control.

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

### Approval of the financial statements

The Hospital’s financial statements were approved by the Board on 9<sup>th</sup> December, 2024 and signed on its behalf by:

  
.....  
**CPA Reuben K. Chesire**  
**Chairperson**  
**Board of Management**

  
.....  
**Dr. Deborah Chepchirchir**  
**Accounting Officer**

# REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*

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

## REPORT OF THE AUDITOR-GENERAL ON ITEN COUNTY REFERRAL HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2024 - COUNTY GOVERNMENT OF ELGEYO MARAKWET

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### 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.
- 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 Iten County Referral Hospital - County Government Of Elgeyo Marakwet- set out on pages 1 to 37, which comprise of

the statement of financial position as at 30 June, 2024 and the statement of financial performance, statement of 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 Iten County Referral Hospital at 30 June, 2024 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, County Government Act 2012 and the Health Act 2017.

### **Basis for Qualified Opinion**

#### **1. Unsupported Inventories**

The statement of financial position reflects inventories balance of Kshs.24,207,586 as disclosed in Note 20 to the financial statements. However, Management did not provide the board of survey, stock take report and the store ledgers to support the balances.

In the circumstances, the accuracy of the inventories balance of Kshs.24,207,586 could not be confirmed.

#### **2. Non-maintenance of an Updated Fixed Assets Register**

A review of the fixed assets register provided for audit revealed that the listed assets did not indicate asset identification and serial numbers, acquisition date, description of asset, location, class and cost of acquisition. In addition, the land and buildings did not record the parcels of land and the terms on which they are held, with reference to the conveyance, address, area, dates of acquisition, disposal or major change in use, capital expenditure, leasehold terms and maintenance contracts. Further, the assets were not coded or tagged for ease of identification and tracking and they were not physically inspected on a regular basis to establish their conditions. There were no policies and procedures on assets management.

In the circumstances, the accuracy, ownership and valuation of property, plant and equipment balance of Kshs.643,417,859 could not be confirmed

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

## **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 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 Audit Matters**

In the audit report of the previous year, several issues were raised under the Report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. Even though Management provided explanation on the progress made on the recommendations made by the auditors, the issues have remained unresolved as the relevant Parliamentary committee had not discussed them.

## **Other Information**

Management is responsible for the other information set out on page ii to xxix which comprise of Key Entity Information and Management, The Board of Management, Key Management Team, Chairman's Statement, Chairman's Report, Report of the Medical Superintendent, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Board of Management, Statement of Board of Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Hospital's 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.

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

Review of Hospital records and verification of services offered, equipment used and medical specialists at the Hospital at the time of audit in the month of November 2024 revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines as detailed below:

Staff Requirements	Level 5 standard	Number In Hospital	Variance	Percentage %
Medical Officers	50	9	41	82
Anesthesiologist	7	0	7	100
General Surgeons	4	1	3	75
Gynecologists	4	2	2	50
Pediatrics	4	2	2	50
Radiologists	4	2	2	50
Kenya Registered Community Health Nurses	250	89	161	64
<b>Total</b>	<b>323</b>	<b>105</b>	<b>218</b>	<b>67</b>

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

Service	Level 5 Hospital Standard	Actuals in the Hospital	Variance	Percentage %
Beds	500	350	150	30
Resuscitative (2 in labour & 1 in	3	10	(7)	-233
Newborn Unit Incubators	10	20	(10)	-100
Newborn Unit Cots	10	20	(10)	-100
Functional ICU Beds	12	3	9	75
High Dependency Unit (HOU) Beds	12	3	9	75
Renal Unit with At least 5 Dialysis	5	5	0	0
Seven Functional Operational Theatres - Maternity and General	7	7	0	0
<b>Total</b>	<b>559</b>	<b>418</b>	<b>141</b>	<b>25</b>

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

Further the contravention of the Kenya Quality Model for Health Policy Guidelines hindered the realization of the government program on Universal Health Coverage (UHC).

In the circumstances, the Hospital may not be able to deliver on its mandate.

## **2. Unutilized Managed Equipment Services**

As reported in the previous year, the statement of financial position reflects a balance of Kshs.643,417,859 in respect to property, plant and equipment as disclosed in Note 21 to the financial statements out of which Kshs.382,486,251 relates to plant and medical equipment. The balance includes Managed Equipment Services (MES) of undetermined value outsourced by the Ministry of Health. However, interviews with management and physical inspection carried out in the month of November, 2024 revealed that the maintenance contracts had expired. Therefore, some equipment including renal dialysis equipment and Intensive Care Unit (ICU) equipment were not functioning since they had not been serviced.

In the circumstances, value for money in respect of Managed Equipment Services (MES) could not be confirmed.

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. Use of Manual Accounting and Procurement System**

Review of the accounting and procurement systems revealed that the Hospital used manual systems. The Hospital acquired a management information system called A1 which was undergoing development and customization. However, its modules were not fully operational. The management had not activated the financial and procurement modules as they required to conduct a comprehensive system audit. In addition, the

system is not integrated with the electronic government procurement (e-GP) system contrary to executive order no. 2 of 2018.

## **2. Weak Stock Control Management System**

The statement of financial performance reflects medical/clinical costs of Kshs.125,217,792 and as disclosed in Note 10 to the financial statements. However, an audit review revealed the following deficiencies;

### **i) Lack of Usage Trail of Pharmaceuticals Supplies**

Included in medical/clinical costs of Kshs.125,217,792 is pharmaceutical supplies balance of Kshs.53,730,059. Out of pharmaceutical supplies of Kshs.53,730,059, pharmaceutical supplies of Kshs.21,854,113 were supplied, inspected and accepted in pharmacy in bulky without controlled issuance from the main store. This is contrary to Regulation 166(4) of the Public Procurement and Asset Disposal Regulations, 2020.

Further, the drugs could not be traced to specific patients and the revenue generated could not be determined. In addition, there was no reconciliation on received drugs, drugs issued to the patients, breakages, spillage, expired and the revenue generated.

### **ii) Lack of Usage Trail of Dressings and Other Non-Pharmaceuticals**

Included in medical/clinical costs of Kshs.125,217,792 is Dressings and Other Non-Pharms of Kshs.37,017,922 which included Kshs.18,643,412 procured, received, inspected and issued in bulk to the respective user department without control from the main store. Further, the items could not be traced to specific patients and the income generated or amount charged could not be determined.

In addition, there was no reconciliation on issued items, used items, breakages, expired and revenue generated.

### **iii) Lack of Usage Trail of Food and Ration**

Included in medical/clinical costs of Kshs.125,217,792 is food and ration of Kshs.14,146,330 which includes Kshs.10,339,600 procured and issued to the person in charge of the kitchen in bulk. However, there were no returns to the main stores on consumption, which is reconciled with patients' register and diet sheet.

### **iv) Weakness in Issuance and usage of Medical Supplies**

Review of management of pharmaceuticals and non-pharmaceuticals items, the stock cards used to issue drugs to various departments and commodities at the Hospital revealed that the batch number and the expiry dates of the drugs were not indicated in the store's ledger.

It was therefore difficult to establish whether the issuance of drugs was on First Expiry First Out (FEFO) basis.

#### **v) Improper Storage of Pharmaceutical and Non-Pharmaceuticals Items**

Review of management system of Pharmaceutical and Non-Pharmaceuticals revealed inadequate facilities for the storage of pharmaceutical items resulting in keeping boxes containing the drugs on the floor.

Further, physical verification revealed that there was no air conditioner in the store. This is in contravention of Section 153 (1) (a) Public Finance Management Act, 2012 which states that the Accounting Officer for a county Government entity is responsible for the management of the entity's assets and liabilities.

In the circumstances, the effectiveness of internal controls on receipting, storage and issuance of supplies and the availability of an effective stock control management system could not be confirmed.

#### **3. Failure to Dispose Unserviceable Assets**

As reported in the previous year, the statement of financial position reflects property, plant and equipment balance of Kshs.643,417,859. However, physical inspection revealed unserviceable assets that have not been disposed of and the same remain unutilized. This was contrary to the Public Procurement and Asset Disposal Act, 2015 Section 164 (1) which states that the employees in charge of unserviceable, obsolete or surplus assets shall bring the matter to the attention of the disposal committee through the Head of the Procurement function.

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

#### **Basis for Conclusion**

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 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 for 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**

**31 December, 2024**

*Iten County Referral Hospital, Elgeyo Marakwet County Government*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2024*

**14. Statement of Financial Performance for The Year Ended 30 June 2024**

Description	Notes	2023/24 Kshs	2022/23 Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from the County Government		-	-
In-kind contributions from the County Government	6	429,186,091	427,196,428
Grants from donors and development partners	8	15,540,680	13,098,992
		<b>444,726,771</b>	<b>440,295,420</b>
<b>Revenue from exchange transactions</b>			
Rendering of services- Medical Service Income	9	219,240,147	134,303,041
		<b>219,240,147</b>	<b>134,303,041</b>
<b>Total revenue</b>		<b>663,966,918</b>	<b>574,598,461</b>
<b>Expenses</b>			
Medical/Clinical costs	10	125,217,792	131,971,215
Employee costs	11	413,980,635	403,198,895
Board of Management Expenses	12	373,625	111,000
Depreciation and amortization expense	13	67,998,284	60,618,318
Repairs and maintenance	14	7,059,878	978,550
Other grants and subsidies	15	9,105,500	-
General expenses	16	51,685,638	36,113,353
<b>Total expenses</b>		<b>675,421,351</b>	<b>632,991,331</b>
<b>Other gains/(losses)</b>			
Medical services contracts Losses (waivers & exemptions)	17	(11,585,857)	(5,762,798)
<b>Total other gains/(losses)</b>		<b>(11,585,857)</b>	<b>(5,762,798)</b>
<b>Surplus/Deficit for the period</b>		<b>(23,040,290)</b>	<b>(64,155,668)</b>
Attributable to:			
Surplus/(deficit) attributable to minority interest		-	-
Surplus attributable to owners of the controlling entity		(23,040,290)	(64,155,668)
		<b>(23,040,290)</b>	<b>(64,155,668)</b>

The Hospital's financial statements set out on pages 1 to 38 were approved by the on 9<sup>th</sup> December, 2024 and signed on its behalf by:



CPA Reuben K. Chesire  
Chairman  
Board of Management



Mr. Amos Kiptum  
Head of Finance  
ICPAK No: 9772



Dr. Deborah Chepchirchir  
Medical Superintendent

*Iten County Referral Hospital, Elgeyo Marakwet County Government*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2024*

**15. Statement of Financial Position As At 30<sup>th</sup> June 2024**

Description	Notes	2023/24	2022/23
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	18	17,452,248	22,198,180
Receivables from exchange transactions	19	56,604,450	15,340,465
Inventories	20	24,207,586	23,953,653
<b>Total Current Assets</b>		<b>98,264,284</b>	<b>61,492,298</b>
<b>Non-current assets</b>			
Property, plant, and equipment	21	643,417,859	681,655,878
Intangible Assets	22	2,065,000	-
<b>Total Non-current Assets</b>		<b>645,482,859</b>	<b>681,655,878</b>
<b>Total assets</b>		<b>743,747,143</b>	<b>743,148,176</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	23	57,161,418	51,320,775
<b>Total Current Liabilities</b>		<b>57,161,418</b>	<b>51,320,775</b>
<b>Non-current liabilities</b>			
<b>Total Non-current liabilities</b>		<b>-</b>	<b>-</b>
<b>Total Liabilities</b>		<b>57,161,418</b>	<b>51,320,775</b>
<b>Total Net assets</b>		<b>686,585,725</b>	<b>691,827,401</b>
Revaluation reserve		-	-
Accumulated surplus/Deficit		(172,149,197)	(149,108,907)
Capital Fund		858,734,922	840,936,308
<b>Total Net Assets and Liabilities</b>		<b>743,747,143</b>	<b>743,148,176</b>

The Hospital's financial statements set out on pages 1 to 38 were approved by the Board on 9<sup>th</sup> December, 2024 and signed on its behalf by:



.....  
**CPA Reuben K. Chesire**  
**Chairman**  
**Board of Management**



.....  
**Mr. Amos Kiptum**  
**Head of Finance**  
**ICPAK No: 9772**



.....  
**Dr. Deborah Chepchirchir**  
**Medical Superintendent**

*Iten County Referral Hospital, Elgeyo Marakwet County Government*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2024*

16. **Statement of Changes in Net Asset for The Year Ended 30 June 2024**

	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2022	-	(84,953,239)	834,827,970	749,874,731
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	(64,155,668)	-	(64,155,668)
Capital/Development grants	-	-	6,108,338	6,108,338
<b>As at June 30, 2023</b>	-	<b>(149,108,907)</b>	<b>840,936,308</b>	<b>691,827,401</b>
	-			-
<b>At July 1, 2023</b>	-	<b>(149,108,907)</b>	<b>840,936,308</b>	<b>691,827,401</b>
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	(23,040,290)	-	(23,040,290)
Capital/Development grants	-	-	17,798,614	17,798,614
<b>At June 30, 2024</b>	-	<b>(172,149,197)</b>	<b>858,734,922</b>	<b>686,585,725</b>

*Iten County Referral Hospital, Elgeyo Marakwet County Government  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2024*

**17. Statement of Cash Flows for The Year Ended 30 June 2024**

Description	Not e	2023/24 Kshs	2022/23 Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Rendering of services- Medical Service Income		179,467,673	126,746,788
Transfers from County Revenue Fund		162,635,697	126,746,788
<b>Total Receipts</b>		<b>342,103,370</b>	<b>253,493,576</b>
<b>Payments</b>			
Medical/Clinical costs		74,642,127	75,333,277
Employee costs		17,077,821	10,528,949
Board of Management Expenses		373,625	111,000
Repairs and maintenance		6,120,427	575,241
Transfers to County Revenue Fund		179,467,673	126,746,788
General expenses		58,601,795	28,789,289
<b>Total Payments</b>		<b>336,283,468</b>	<b>242,084,544</b>
<b>Net cash flows from operating activities</b>	<b>24</b>	<b>5,819,902</b>	<b>11,409,032</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment, & intangible assets		(10,565,834)	(2,438,050)
<b>Net cash flows used in investing activities</b>		<b>(10,565,834)</b>	<b>(2,438,050)</b>
<b>Cash flows from financing activities</b>			
		-	-
<b>Net cash flows used in financing activities</b>		-	-
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(4,745,932)</b>	<b>8,970,982</b>
Cash and cash equivalents at 1 July	<b>18</b>	22,198,180	13,227,198
<b>Cash and cash equivalents at 30 June</b>	<b>18</b>	<b>17,452,248</b>	<b>22,198,180</b>

**Iten County Referral Hospital, Elgeyo Marakwet County Government**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2024**

**18. Statement of Comparison of Budget and Actual Amounts for Year Ended 30 June 2024**

Description	Original budget a Kshs	Adjustments b Kshs	Final budget c=(a+b) Kshs	Actual on comparable basis d Kshs	Performance difference e=(c-d) Kshs	% of utilisation f=d/c%
<b>Revenue</b>						
Transfers from the County Government	-	-	-	-	-	0%
In- kind contributions from the County Government	429,345,000	-	429,345,000	429,186,091	(158,909)	100%
Grants from donors and development partners	-	15,540,680	15,540,680	15,540,680	-	100%
Rendering of services- Medical Service Income	223,290,300	9,105,500	232,395,800	219,240,147	(13,155,653)	94%
<b>Total income</b>	<b>652,635,300</b>	<b>24,646,180</b>	<b>677,281,480</b>	<b>663,966,918</b>	<b>(13,314,562)</b>	<b>98%</b>
<b>Expenses</b>						
Medical/Clinical costs	150,951,800	15,540,680	166,492,480	125,217,792	(41,274,688)	75%
Employee costs	426,840,500	-	426,840,500	413,980,635	(12,859,865)	97%
Remuneration of directors	390,000	-	390,000	373,625	(16,375)	96%
Repairs and maintenance	7,343,000	-	7,343,000	7,059,878	(283,122)	96%
Grants and subsidies	-	9,105,500	9,105,500	9,105,500	-	100%
General expenses	53,550,000	-	53,550,000	51,685,638	(1,864,362)	97%
<b>Total expenses</b>	<b>639,075,300</b>	<b>24,646,180</b>	<b>663,721,480</b>	<b>607,423,068</b>	<b>(56,298,412)</b>	<b>92%</b>
Surplus for the period	-	-	-	43,406,856	43,406,856	
<b>Capital expenditure</b>	<b>13,560,000</b>	<b>-</b>	<b>13,560,000</b>	<b>13,136,994</b>	<b>(423,006)</b>	<b>97%</b>

**Budget notes**

- Shortfall in Medical Service Income and Medical/Clinical Costs:** The decrease in income was primarily due to lower-than-expected service utilization, influenced by patient volume fluctuations, leading to the hospital achieving only 94% of its revenue target and 75% of its Medical/Clinical costs.
- Budget Adjustments:** The increase from the original to the final budget was due to the inclusion of additional public contributions and donations, indicating an effort to bolster resources through external funding sources.
- Discrepancies in Accounting Methods:** The difference between actual income and the Statement of Financial Performance arose because the budget was based on a cash accounting basis, while the financial performance statement was prepared using accrual accounting, leading to potential timing differences in recognizing revenue and expenses.

## 19. Notes to the Financial Statements

### 1. General Information

ICRH is an entity established by and derives its authority and accountability from the county Government Act. The entity is wholly owned by the Elgeyo Marakwet County Government and is domiciled in Elgeyo Marakwet County in Kenya. The entity's principal activity includes:

- (i) To receive patients on referral from other Hospitals or Health facilities within or outside Elgeyo Marakwet County for Specialized Healthcare.
- (ii) To assure provision of Quality health care services, disaster preparedness and response
- (iii) To Strengthen availability of essential medicines, medical equipment and supplies
- (iv) To maintain and improve hospital infrastructure and means of transport to meet the demands for service delivery.

### 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 Hospital's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in the notes. 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 the Constitution of Kenya, 2010, County Government act, 2012, 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 2024*

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 2024.*

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees</p>

Standard	Effective date and impact:
	<p>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 cash flows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p>Key expected impacts include:</p> <ul style="list-style-type: none"> <li>• Balance Sheet Impact: Assets and liabilities will increase due to the recognition of the right-of-use assets and lease liabilities.</li> <li>• Financial Performance: Lease expenses, which were previously treated as operating expenses, will now be split between depreciation of the right-of-use assets and interest on the lease liabilities, potentially altering profit metrics such as EBITDA.</li> <li>• Cash Flow Presentation: Lease payments will be classified into principal repayments (financing activities) and interest payments (operating activities), affecting the presentation of cash flows.</li> <li>• Disclosure Requirements: The standard requires enhanced disclosures, ensuring users of financial statements have detailed information to assess the nature and financial implications of leasing arrangements.</li> </ul>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The Standard requires,</p> <p>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:</p> <p>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.</p>
IPSAS 45- Property Plant and Equipment	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>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 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.</p>

Standard	Effective date and impact:
IPSAS 46  Measurement	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ol> <p>The standard also introduces a public sector specific measurement bases called the current operational value. This new standard is expected to impact the entity in several ways:</p> <ul style="list-style-type: none"> <li>• <b>Enhanced Measurement Guidance:</b> IPSAS 46 provides more detailed guidance on the application of measurement bases, such as historical cost, fair value, and current operational value. This will help the entity achieve greater consistency and accuracy in applying these measurement bases across various asset and liability categories.</li> <li>• The new guidance could lead to adjustments in how the entity measures certain assets and liabilities, affecting the balance sheet values.</li> <li>• <b>Introduction of Current Operational Value:</b> The new measurement basis, current operational value, which reflects the cost required to replace an asset in its current service potential, is specifically designed for public sector entities. This may alter how certain assets, especially those related to public services (e.g., infrastructure, heritage, or community assets), are valued.</li> <li>• This could lead to changes in the reported values of assets if the current operational value differs significantly from other measurement bases, like fair value or historical cost.</li> <li>• <b>Consistency in Transaction Costs:</b> The clarification and harmonization of guidance on transaction costs across different standards will improve the entity's consistency in recognizing and measuring assets and liabilities. This may lead to adjustments in the initial measurement of assets or the cost of acquisition due to clearer guidance on whether transaction costs should be included or excluded.</li> <li>• <b>Impact on Recognition and Subsequent Measurement:</b> The amendments in measurement guidance for both initial recognition and subsequent measurement may result in changes to how the entity records and remeasures assets and liabilities over time. For example, assets that were previously measured at historical cost may now need to be reassessed under current operational value or fair value.</li> <li>• <b>Increased Disclosure Requirements:</b> IPSAS 46 emphasizes detailed disclosures related to measurement, which will require the entity to provide more comprehensive information about the measurement bases</li> </ul>

*Iten County Referral Hospital, Elgeyo Marakwet County Government  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2024*

Standard	Effective date and impact:
	<p>applied, any changes in those bases, and their impact on financial performance and position.</p> <ul style="list-style-type: none"> <li>• <b>Operational and System Adjustments:</b> The introduction of the current operational value measurement basis and other changes may require the entity to update its accounting policies, internal processes, and systems to ensure compliance. This could also necessitate training for staff to understand and apply the new measurement guidance.</li> </ul>
IPSAS 47- Revenue	<p><i>Applicable 1<sup>st</sup> January 2026</i></p> <p>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. This comprehensive approach is expected to impact the entity in several ways:</p> <p><b>Unified Revenue Recognition Framework:</b> The entity will now follow a single, standardized framework for recognizing revenue from all transactions, including exchange, non-exchange, and construction contracts, leading to greater consistency in revenue reporting.</p> <p><b>Revenue Recognition Principles:</b> IPSAS 47 emphasizes the recognition of revenue based on the nature, amount, timing, and uncertainty of revenue, potentially changing how and when the entity recognizes certain revenue streams, especially for non-exchange transactions like grants or donations.</p> <p><b>Improved Disclosure:</b> The entity will be required to provide enhanced disclosures about revenue, giving users of financial statements better insights into the entity's revenue sources and the associated cash flows.</p> <p><b>Operational Changes:</b> Implementation of IPSAS 47 may necessitate changes to accounting systems, processes, and staff training to ensure compliance with the new revenue recognition and reporting requirements.</p> <p><b>Impact on Financial Performance:</b> The timing of revenue recognition may shift, impacting the entity's reported financial performance and cash flow, particularly for long-term contracts and conditional non-exchange transactions</p>
IPSAS 48- Transfer Expenses	<p><i>Applicable 1<sup>st</sup> January 2026</i></p> <p>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 for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
IPSAS 49- Retirement Benefit Plans	<p><i>Applicable 1<sup>st</sup> January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public</p>

Standard	Effective date and impact:
	sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.

*iii) Early adoption of standards*

The Hospital did not early – adopt any new or amended standards in the financial year 2023/2024.

**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.

**Donor funded projects grants**

Grants received for donor funded projects are recognized in statement of financial performance on a systematic basis over the periods in which the grants are intended to compensate, only to the extent of expenditure incurred during the year. Grants not utilized are recognized as deferred income in the statement of financial position.

**Public contributions and donations**

**Cash donations:** Income from endowments, donations, research grants and other similar services rendered are recognized when received and included only to the extent of expenditure incurred during the year.

**Donations in-kind:** The revenue from donations in kind is measured at fair value and recognized on obtaining control of the asset (goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits (including cost saving from the donation) or service potential related to the asset will flow to the hospital and can be measured reliably. On initial recognition, gifts and donations including goods in-kind (tangible assets) are measured at their fair value as at the date of acquisition, which is ascertained by reference to an active market or by appraisal by a member of the valuation profession.

**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.

**Interest income**

Iten County Referral Hospital does not earn Interest income.

**Dividends**

Iten County Referral Hospital does not earn Dividend income.

**Rental income**

Iten County Referral Hospital does not earn Rental income

**b. Budget information**

The original budget for FY 2023/24 was approved by Board on **25<sup>th</sup> August, 2023**. Subsequent revisions and additional appropriations were made to the approved budget in accordance with specific approvals from the Board of Management and County Department of Health. 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 financial performance has been presented under section on statement of comparison of budget and actual amounts of these financial statements.

**c. Taxes**

**Current Income Tax**

Iten County Referral Hospital does not earn Current income tax.

**Deferred Tax**

Iten County Referral Hospital does not earn deferred tax.

**Sales Tax**

Iten County Referral Hospital does not earn sales tax.

**d. Investment property**

Iten County Referral Hospital does not have investment properties.

**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.

Land is not depreciated. Depreciation on other assets is calculated on a reducing balance basis to write off the cost of each asset, or the revalued amount, to their residual values over the estimated useful life. The annual rates used for each class of assets are:

Buildings	2.5%	Tractors	37.5%
Plant & Machinery	12.5%	Computers, copiers	30%
Furniture and Fittings	12.5%	Medical Equipment	12.5%
Motor Vehicles	25%	Intangible Assets	30%

**f. Leases**

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

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

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

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

Iten County Referral Hospital does not have finance leases.

**g. Intangible assets**

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

**h. Research and development costs**

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

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

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

Iten County Referral Hospital does not have Research and development costs.

**i. 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. The entity 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 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.

### **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) are set out in Note 9.

### **Financial liabilities**

#### **Classification**

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

#### **j. 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.

**k. Provisions**

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

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

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

**l. 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.

**m. Contingent liabilities**

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

**n. Contingent assets**

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

**o. Nature and purpose of reserves**

The reserves maintained by the hospital include;

**Capital reserve**

Capital reserve relates to the initial value of property, plant and equipment the Board of Management inherited from the Ministry of Health when ICRH was devolved. Capital grants received from the County/National Government are treated as addition to the capital reserve. Movements in the capital reserve are shown in the statement of changes in net asset.

**Revaluation reserve**

Revaluation reserve arises on revaluation of property, plant and equipment. When revalued property, plant and equipment are disposed, the portion of revaluation reserve that relates to the asset is transferred directly to revaluation reserve. Movements in the revaluation reserve are shown in the statement of changes in net assets.

#### **Accumulated Fund**

Accumulated fund is a revenue fund where the results (surplus/deficit) for each year's financial performance are accumulated. Movements in the revaluation reserve are shown in the statement of changes in net assets.

#### **p. Changes in accounting policies and estimates**

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

#### **q. 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.

Employees whose services were transferred to the County Government and are currently covered under the Public Service Pension Scheme.

#### **r. Foreign currency transactions**

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

#### **s. 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.

**t. 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 Hospital, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO/principal and senior managers.

**u. 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 Hospital 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 Hospital also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**v. 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.

**w. Comparative figures**

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

**x. 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, 2024.

**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.

### **Provisions**

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material. Provisions made by the management include:

#### **Provision for Bad Debts**

A debt is deemed to be impaired if, and only if, there is objective evidence that the recoverability of that debt is doubtful. Indigent patients who are unable to settle their medical bills upon clinical discharge are allowed home on unsecured credit, and since the payment of these debts are highly doubtful, they are provided for as bad and doubtful.

*Iten County Referral Hospital, Elgeyo Marakwet County Government  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2024*

Notes to Financial Statements Continued

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

	2023/24	2022/23
Description	KShs	KShs
Salaries and wages	398,340,535	391,232,225
Pharmaceutical and Non-Pharmaceutical Supplies (KEMSA/MEDS)	30,845,556	35,964,203
<b>Total grants in kind</b>	<b>429,186,091</b>	<b>427,196,428</b>

*(These include payments made directly by the County Governments for staff salaries working in the Hospital and medical drugs from KEMSA and MEDS)*

**7. Grants From Donors and Development Partners**

Description	2023/24	2022/23
	KShs	KShs
Amenity ward grant- CG	14,098,614	-
Hospital management information system	2,950,000	-
Wheelchairs & Stretchers - Safaricom Foundation	750,000	-
<b>Total grants from development partners</b>	<b>17,798,614</b>	<b>-</b>

*(The grants, totalling Kshs. 17,798,614, represent contributions received by the hospital from various donors and development partners during the financial year. All were categorized in capital fund.)*

**7 (a) Grants from donors and development partners (Classification)**

Name of the Entity sending the grant	Amount recognized to Statement of financial performance	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	Comparative Period
	KShs	KShs	KShs	KShs	KShs
County Government - Amenity ward grant	-	-	14,098,614	14,098,614	-
County Government – Hospital system	-	-	2,950,000	2,950,000	-
Safaricom Foundation - Wheelchairs & Stretchers	-	-	750,000	750,000	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>17,798,614</b>	<b>17,798,614</b>	<b>-</b>

*Iten County Referral Hospital, Elgeyo Marakwet County Government  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2024*

**8. Public Contributions and Donations**

Description	2023/24	2022/23
	KShs	KShs
Drugs Donations from KEMSA	15,540,680	13,098,992
<b>Total donations and sponsorships</b>	<b>15,540,680</b>	<b>13,098,992</b>

*(These are donations of drugs received by the hospital from KEMSA amounting to KSh 15,540,680 in 2023/24, compared to KSh 13,098,992 in 2022/23, supporting its pharmaceutical needs)*

**9. Rendering of Services-Medical Service Income**

Description	2023/24	2022/23
	KShs	KShs
Pharmaceuticals Income	41,505,093	6,620,359
Laboratory Income	28,265,055	6,151,810
Radiology Income	21,409,900	11,257,400
Orthopedic and Trauma Technology Income	177,000	207,150
Theatre Income	9,236,299	1,653,300
Accident and Emergency Service Income	41,400	564,200
Ear Nose and Throat Service Income	56,500	29,800
Dental Services Income	2,485,000	709,700
Farewell Home Services Income	8,467,000	5,365,500
Other Medical Services Income	925,050	1,748,150
Inpatient Income	76,819,154	18,967,990
Eye Services Income	206,400	621,300
Maternity Services Income	4,685,000	3,500
Physiotherapy Services Income	433,600	313,470
Psychiatric Services Income	325,300	290,500
Public Health Services Income	20,000	36,000
Renal Services Income	23,552,797	32,000
Administration Services	629,600	79,730,912
<b>Total revenue from the rendering of services</b>	<b>219,240,147</b>	<b>134,303,041</b>

**10. Medical/ Clinical Costs**

Description	2023/24	2022/23
	Kshs	Kshs
Pharmaceutical supplies	53,730,059	59,299,578
Dressings and Other Non-Pharms	37,017,922	43,150,891
Renal commodities	9,685,668	1,755,100
Dental commodities	8,584	313,600
Chemicals & Industrial Gases	482,457	1,768,900
Sanitary and Materials, supplies and services	538,100	357,850
Lab Materials and small Equipment	1,267,372	5,555,016

*Iten County Referral Hospital, Elgeyo Marakwet County Government  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2024*

Radiology and X-Ray materials	7,091,300	5,559,600
Food and Rations	14,146,330	13,964,280
Purchase of Uniforms and Clothing's-Patients	1,250,000	246,400
<b>Total medical/ clinical costs</b>	<b>125,217,792</b>	<b>131,971,215</b>

#### 11. Employee Costs

Description	2023/24	2022/23
	Kshs	Kshs
Salaries, wages, and allowances	398,340,535	391,232,225
Contractual Employees	15,640,100	11,966,670
<b>Employee costs</b>	<b>413,980,635</b>	<b>403,198,895</b>

*(This figure includes salaries, wages, and allowances of Kshs 398,340,535, which encompass payments made directly by the County Governments for hospital staff, and Kshs 15,640,100 for contractual employees, representing payments to casual workers by the Hospital)*

#### 12. Board of Management Expenses

Description	2023/24	2022/23
	Kshs	Kshs
Sitting allowance	373,625	111,000
<b>Total</b>	<b>373,625</b>	<b>111,000</b>

#### 13. Depreciation and Amortization Expense

Description	2023/24	2022/23
	KShs	KShs
Property, plant and equipment	66,228,284	60,618,318
Intangible assets	885,000	-
<b>Total depreciation and amortization</b>	<b>67,113,284</b>	<b>60,618,318</b>

#### 14. Repairs And Maintenance

Description	2023/24	2022/23
	Kshs	Kshs
Property- Buildings	4,735,075	221,500
Maintenance of plant & equipment	-	421,000
Medical equipment	306,000	45,000
Computers and accessories	31,800	103,400
Motor vehicle expenses	1,987,003	187,650
<b>Total repairs and maintenance</b>	<b>7,059,878</b>	<b>978,550</b>

*Iten County Referral Hospital, Elgeyo Marakwet County Government  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2024*

<b>Sub- total</b>		<b>17,430,672</b>	<b>22,033,895</b>
<b>b) Others</b>			
Mobile money- Mpesa		21,576	164,285
<b>Sub- total</b>		<b>21,576</b>	<b>164,285</b>
<b>Grand total</b>		<b>17,452,248</b>	<b>22,198,180</b>

**19. Receivables From Exchange Transactions**

Description	2023/24	2022/23
	KShs	KShs
Medical services receivables - Unreimbursed NHIF Claims	35,545,654	7,784,212
Medical services receivables - Unreimbursed MINET Claims	4,226,820	-
Unreimbursed revenue collected from County government	16,831,976	7,556,253
<b>Total receivables</b>	<b>56,604,450</b>	<b>15,340,465</b>

*(There was no Expected Credit Loss (ECL) rate applied for these receivables)*

**Analysis of Receivables From Exchange Transactions**

Description	2023/24		2022/23	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	56,604,450	100%	15,340,465	100%
Between 1- 2 years	-	0%	-	0%
Between 2-3 years	-	0%	-	0%
Over 3 years	-	0%	-	0%
<b>Total (a+b)</b>	<b>56,604,450</b>	<b>100%</b>	<b>15,340,465</b>	<b>0%</b>

**20. Inventories**

Description	2023/24	2022/23
	KShs	KShs
Pharmaceutical supplies	12,999,442	14,043,945
Non-Pharmaceutical supplies	10,702,894	9,098,818
Food supplies	105,250	77,580
General supplies	-	733,310
Linen and clothing supplies	400,000	-
<b>Total</b>	<b>24,207,586</b>	<b>23,953,653</b>

**15. Grants And Subsidies**

Description	2023/24	2022/23
	Kshs	Kshs
Other grants and subsidies - transfers to the Chebiemit S/C Hospital	5,605,500	-
Other grants and subsidies - transfers to the county department of lands	3,500,000	-
<b>Total grants and subsidies</b>	<b>9,105,500</b>	<b>-</b>

**16. General Expenses**

Description	2023/24	2022/23
	Kshs	Kshs
Contracted services	7,863,324	7,017,000
Electricity expenses	10,993,973	12,926,927
Domestic travel & Accommodation	10,868,184	-
Daily Subsistence	2,825,770	3,549,820
Legal expenses	-	-
Courier and postal services	18900	37,800
Printing and stationery	3,310,026	1,831,220
Water and sewerage costs	3,467,020	3,646,990
Repatriation costs	-	-
Refined fuel and lubricants	5,211,266	3,856,416
Other fuels- generator	917,525	1,123,450
Motor Vehicle Insurance	-	204,750
Subscriptions	270,250	11,200
Catering items	493,630	95,150
Telephone and airtime allowance	237,000	380,000
Other operating expenses	5,208,770	1,432,630
<b>Total General Expenses</b>	<b>51,685,638</b>	<b>36,113,353</b>

**17. Medical Services Contracts Gains /Losses**

Description	2023/24	2022/23
	KShs	KShs
Waivers and Exemptions	11,585,857	5,762,798
<b>Total Gain/Loss</b>	<b>11,585,857</b>	<b>5,762,798</b>

**18. Cash And Cash Equivalentents**

Description		2023/24	2022/23
Financial institution	Account number	KShs	KShs
<b>a) Current account</b>			
Kenya Commercial bank	1530279855730'	16,399,122	307,461
Equity Bank	1147075433	1,031,550	21,726,434

*Iten County Referral Hospital, Elgeyo Marakwet County Government  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2024*

**21. Property, Plant and Equipment**

Description	Land	Buildings and Civil works (2.5%)	Motor vehicles (2.5%)	Furniture, fittings, and office equipment (12.5%)	ICT Equipment (30%)	Plant and medical equipment (12.5%)	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
<b>Cost</b>								
At 1 <sup>st</sup> July 2022	136,500,000	57,017,747	13,079,884	18,171,036	22,384,046	454,158,329	102,215,666	803,526,707
Additions	-	8,271,332	-	134,638	523,319	270,000	-	9,199,289
Disposals	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-
<b>At 30<sup>th</sup> June 2023</b>	<b>136,500,000</b>	<b>65,289,079</b>	<b>13,079,884</b>	<b>18,305,674</b>	<b>22,907,365</b>	<b>454,428,329</b>	<b>102,215,666</b>	<b>812,725,997</b>
At 1 <sup>st</sup> July 2023	136,500,000	65,289,079	13,079,884	18,305,674	22,907,365	454,428,329	102,215,666	812,725,997
Additions	-	-	-	2,063,139	7,846,016	3,982,494	14,098,614	27,990,263
Disposals	-	-	-	-	-	-	-	-
Transfer/adjustments	-	17,022,237	-	-	-	85,193,429	(102,215,666)	-
<b>At 30<sup>th</sup> June 2024</b>	<b>136,500,000</b>	<b>82,311,316</b>	<b>13,079,884</b>	<b>20,368,813</b>	<b>30,753,381</b>	<b>543,604,252</b>	<b>14,098,614</b>	<b>840,716,260</b>
<b>Depreciation and impairment</b>								
At 1 <sup>st</sup> July 2022	-	1,425,444	269,971	2,271,379	6,715,214	56,769,791	-	70,451,799
Depreciation for the year	-	1,596,591	2,452,478	2,004,287	4,857,645	49,707,317	-	60,618,319
Disposals	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
<b>At 30<sup>th</sup> June 2023</b>	<b>-</b>	<b>3,022,035</b>	<b>5,722,449</b>	<b>4,275,666</b>	<b>11,572,859</b>	<b>106,477,108</b>	<b>-</b>	<b>131,070,118</b>
At July 2023	-	3,022,035	5,722,449	4,275,666	11,572,859	106,477,108	-	131,070,118
Depreciation	-	1,982,232	1,839,359	2,011,643	5,754,157	54,640,893	-	66,228,284
Disposals	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-	-
<b>At 30<sup>th</sup> June 2024</b>	<b>-</b>	<b>5,004,267</b>	<b>7,561,808</b>	<b>6,287,309</b>	<b>17,327,016</b>	<b>161,118,001</b>	<b>-</b>	<b>197,298,401</b>
<b>Net book values</b>								
At 30 <sup>th</sup> June 2023	136,500,000	62,267,044	7,357,435	14,030,008	11,334,506	347,951,221	102,215,666	681,655,879
At 30 <sup>th</sup> June 2024	136,500,000	77,307,049	5,518,076	14,081,504	13,426,365	382,486,251	14,098,614	643,417,859

*Iten County Referral Hospital, Elgeyo Marakwet County Government*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2024*

**22. Intangible Assets-Software**

Description	2023/24	2022/23
	KShs	KShs
<b>Cost</b>		
<b>At beginning of the year</b>	-	-
Additions	2,950,000	-
Additions-Internal development	-	-
Disposal	-	-
<b>At end of the year</b>	<b>2,950,000</b>	-
<b>Amortization and impairment</b>		
<b>At beginning of the year</b>	-	-
Amortization for the period	885,000	-
Impairment loss	-	-
<b>At end of the year</b>	<b>885,000</b>	-
<b>NBV</b>	<b>2,065,000</b>	-

**23. Trade and other Payables**

Description	2023/24		2022/23	
	KShs		KShs	
Trade payables	55,665,708		49,883,054	
Employee dues	1,495,710		1,437,721	
<b>Total trade and other payables</b>	<b>57,161,418</b>		<b>51,320,775</b>	
<b>Ageing analysis:</b>	<b>Current FY</b>	<b>% of the Total</b>	<b>Comparative FY</b>	<b>% of the total</b>
Under one year	56,037,738	98%	50,197,095	98%
1-2 years	-	-	-	0%
2-3 years	-	-	-	0%
Over 3 years	1,123,680	2%	1,123,680	2%
<b>Total</b>	<b>57,161,418</b>		<b>51,320,775</b>	

**24. Cash Generated from Operations**

	2023/24	2022/23
	KShs	KShs
Surplus for the year before tax	(23,040,290)	(64,155,668)
<b>Adjusted for:</b>		
Depreciation	67,113,284	60,618,318
Non-cash grants received	15,540,680	13,098,992
<b>Operating Profit/Deficit before Working Capital adjustments</b>	<b>28,532,313</b>	<b>(16,636,342)</b>
Increase in inventory	(2,624,227)	19,167,078
Increase in receivables	(20,928,827)	2,647,296
Increase in deferred income	-	-
Increase in payables	840,643	6,231,000
<b>Net cash flow from operating activities</b>	<b>5,819,902</b>	<b>11,409,032</b>

**Iten County Referral Hospital, Elgeyo Marakwet County Government**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2024**

**25. Financial Risk Management**

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

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

**(i) Credit risk**

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2023</b>				
Receivables from exchange transactions	15,340,465	15,340,465	-	-
Bank balances	22,198,180	22,198,180	-	-
<b>Total</b>	<b>37,538,645</b>	<b>37,538,645</b>	-	-
<b>At 30 June 2024</b>				
Receivables from exchange transactions	56,604,450	56,604,450	-	-
Bank balances	17,452,248	17,452,248	-	-
<b>Total</b>	<b>74,056,698</b>	<b>74,056,698</b>	-	-

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the hospital has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has no significant concentration of credit risk. The board of management sets the hospital's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

***Iten County Referral Hospital, Elgeyo Marakwet County Government***  
***Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2024***

**(ii) Liquidity risk management**

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2023</b>				
Trade payables	-	37,421,425	18,402,340	51,320,775
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	<b>-</b>	<b>37,421,425</b>	<b>18,402,340</b>	<b>51,320,775</b>
<b>At 30 June 2024</b>				
Trade payables	2,989,600	34,394,918	19,776,900	57,161,418
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	<b>2,989,600</b>	<b>34,394,918</b>	<b>19,776,900</b>	<b>57,161,418</b>

**(iii) Market risk**

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

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

**Iten County Referral Hospital, Elgeyo Marakwet County Government**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2024**

**a) Foreign currency risk**

ICRH has no transactional currency exposures.

**Foreign currency sensitivity analysis**

ICRH has not exposed to interest rate exposure risks hence has not done sensitivity analysis.

**b) Interest rate risk**

ICRH has not exposed to cash flow interest rate risk.

**Management of interest rate risk**

ICRH has not exposed to management interest rate risk.

**Sensitivity analysis**

ICRH has not exposed to interest rate exposure risks hence has not done sensitivity analysis.

**iv) Capital Risk Management**

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

	2023/24	2022/23
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	(172,149,197)	(149,108,907)
Capital reserve	858,734,922	840,936,308
<b>Total funds</b>	<b>686,585,725</b>	<b>691,827,401</b>
Total borrowings	-	-
Less: cash and bank balances	17,452,248	22,198,180
Net debt/ (excess cash and cash equivalents)	(17,452,248)	(22,198,180)
<b>Gearing</b>	-	-

**26. 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.

Elgeyo Marakwet 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 Ministry of Health;
- iii) The County Government;
- iv) The County treasury;
- v) The County department of health & sanitation;
- vi) Board of Directors;
- vii) Key Management

*Iten County Referral Hospital, Elgeyo Marakwet County Government  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2024*

Description	2023/24	2022/23
	Kshs	Kshs
<b>Transactions with related parties</b>		
<b>a) Services offered to related parties</b>		
-	-	-
-	-	-
<b>Total</b>	-	-
<b>b) Grants from the Government</b>		
Amenity ward grant- CG	14,098,614	-
Hospital management information system	2,950,000	-
Wheelchairs & Stretchers - Safaricom Foundation	750,000	-
Inkind support from County Governmnet - CG	429,186,091	427,196,428
<b>Total</b>	<b>446,984,705</b>	<b>427,196,428</b>
<b>c) Expenses incurred on behalf of related party</b>		
Transfers to the Chebiemit SCH	5,605,500	
Transfers to the county department of lands	3,500,000	
<b>Total</b>	<b>9,105,500</b>	-
<b>d) Key management compensation</b>		
BOM sitting allowances	373,625	111,000
Compensation to the medical Sup	-	-
Compensation to key management	-	-
<b>Total</b>	<b>373,625</b>	<b>111,000</b>

**27. Events after the Reporting Period**

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

**28. Ultimate and Holding Entity**

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

**29. Currency**

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

**Iten County Referral Hospital, Elgeyo Marakwet County Government  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2024**

**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.

Ref No.	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
1.	The statement of financial position reflects receivables from exchange transactions balance of Kshs.7, 900,100 as disclosed in Note 18 to the financial statements. Review of documents revealed that the balance has been outstanding for over one (1) year. However, there was no evidence to indicate that proper mechanisms had been put in place to recover these long overdue debts.	The outstanding balance comprised amounts from the National Hospital Insurance Fund (NHIF) for capitation fees across various periods in 2022. Payments for these receivables were received in the first quarter of the financial year 2022/2023.	Resolved	
2.	Review of Hospital records and interviews revealed only one hundred and twenty-one (121) staff against the required three hundred and twenty-three (323) staff in seven (7) positions, resulting to unexplained variance of two hundred and two (202) staff. In addition, the Hospital had only three (3) functional intensive care unit beds and two (2) high dependency unit beds instead of twelve (12) beds for each. In addition, there were only five (5) theatres instead of seven (7) while beds were only three hundred (300) instead of five hundred (500). Further, maternity ward has only one (1) delivery coaches instead of six (6), new born incubators were one (1) instead of ten (10) and there were no new born HDU cots instead of the required six (6). These deficiencies contravene the First Schedule of Health	To address this, the hospital requested the recruitment of additional staff from the County Public Service Board and released three medical officers for specialist training.	Unresolved	30 <sup>th</sup> June, 2025

***Iten County Referral Hospital, Elgeyo Marakwet County Government  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2024***

	Act, 2017 and implies that accessing highest attainable standard of health, which includes the right to health care services, including reproductive health care as required by Article 43(1) of the Constitution of Kenya, 2010 may not be achieved.			
3.	The Hospital did not have an internal audit function and there was no evidence of carrying out risk assessment. This was contrary to Section 155 (5) of Public Finance Management Act, 2012 which stipulates that a county government entity shall maintain internal auditing arrangements, and shall ensure that it complies with this Act and (a) has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board was not followed.	The hospital currently relies on the County Directorate of Internal Audit due to a lack of autonomy. A request has been submitted to the Department of Finance and Economic Planning for the deployment of two Internal Audit Officers to establish an internal audit section.	Unresolved	30 <sup>th</sup> June, 2025
4.	<b>Inaccuracies in Rendering of Services Revenue-Medical Service Income</b> The statement of financial position reflects receivables from exchange transactions balance of Kshs.134,303,041 in respect to rendering of services-Medical service income as disclosed in Note 9 to the financial Statements. However, the Supporting schedules indicating the various revenue streams were not provide for audit. Further, the amount includes National Health Insurance Fund (NHIF) reimbursement of Ksh.79,730,912, while NHIF records reflects an amount of Ksh.42,270,425 resulting to an unexplained variance of Ksh. 37,460,487.	Variances in NHIF reimbursements were reconciled through detailed documentation, including bank statements, capitation invoices, and NHIF records. The reported amounts were confirmed accurate and supported by evidence.	Resolved	
5.	<b>Variances in Receivables from Exchange transactions</b> The statement of financial	The variance between hospital records and NHIF records resulted from differences in	Resolved	

**Iten County Referral Hospital, Elgeyo Marakwet County Government**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2024**

	<p>position reflects balance of Kshs.15,340,465 in respect to rendering of services-Medical service in receivables from exchange transactions as disclosed in Note 19 to the financial Statements. This amount relates to dues from the National Hospital Insurance Fund (NHIF) whose records indicate a balance of Ksh. 32,287,011, resulting to an unexplained variance of Ksh. 17,254,007. Further, the amount has been outstanding for more than twelve (12) while the contract between the Hospital and NHIF indicates the period to pay genuine claims is within thirty (30) days of submission</p>	<p>claim recognition practices. The hospital's approach involves recognizing claims upon authentication, while NHIF records claims upon submission. Supporting documents were provided to substantiate the hospital's receivables.</p>		
6.	<p><b>Variances in Cash and Cash equivalent balance</b>  The statement of financial position reflects cash and cash equivalents balance of Ksh. 22,198,180. However, the cashbook provided for audit reflects a balance of Ksh. 22,487,048 resulting to an unexplained variance of Ksh. 288,868.</p>	<p>The variance of Kshs. 288,868 between the cashbook and financial statements was attributed to unreported bank charges. Bank reconciliation has since been completed to reflect accurate balances.</p>	Resolved	
7.	<p><b>Variances in Trade and Other Payables</b>  The statement of financial position reflects balance of Kshs. 51,320,775 in respect to trade and other payables as disclosed in Note 22 to the financial Statements. The balance includes Ksh. 2,493,890 owed to KEMSA while KEMSA records reflect Ksh, 2,047,690 resulting to an unexplained variance of Ksh. 446, 200.</p>	<p>Variance in the amounts owed to KEMSA was clarified through detailed invoices and demand letters. Supporting documentation verified the hospital's records.</p>	Resolved	
8	<p><b>Lack of Quarterly Revenue Reports</b>  The statement of financial performance reflects an amount of Kshs.134.303.041 in respect to rendering of services-medical income as disclosed in Note 9 to the</p>	<p>During the audit period, the hospital's revenue reporting was consolidated within the county's revenue pool due to a lack of financial autonomy. With the implementation of the Facility Improvement Fund (FIF) Act, 2023, the hospital now has</p>	Resolved	

***Iten County Referral Hospital, Elgeyo Marakwet County Government  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2024***

	<p>financial statements. However, the Hospital did not provide evidence to show that the quarterly revenue reports were prepared and submitted to the County treasury with a copy to the Auditor-General. This was contrary to Regulations 64(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer or receiver of revenue or collector of revenue to prepare a quarterly report not later than the 15th day after the end of the quarter.</p>	<p>financial independence, ensuring better control and compliance with reporting requirements.</p>		
9	<p><b>Deficiencies in Implementation of Universal Health Coverage</b> Review of Hospital records and interviews on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to Staff deficits by one hundred and three (103) or 31% of the authorized staff requirements. Critical gaps were noted in key areas such as anesthesiology, general surgery, pediatrics, radiology, and nursing, with deficits ranging from 35.2% to 57%. These shortages hinder the delivery of essential medical services, including specialized care. Infrastructure and equipment deficiencies were also identified, with ICU and HDU bed capacities falling short by 75%-83%, a general bed capacity deficit of 40%, and a shortage of dialysis machines by 57%. These deficiencies contravene the</p>	<p>The hospital Management has submitted requests for additional staffing and initiated specialist training programs. Infrastructure improvements are ongoing with consultations and planned budgetary allocations.</p>	Resolved	

**Iten County Referral Hospital, Elgeyo Marakwet County Government**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2024**

	First Schedule of the Health Act, 2017, and hinder the realization of the constitutional right to healthcare as stipulated in Article 43(1) of the Constitution of Kenya, 2010.			
10.	<p><b>Irregular Engagement of Casual Workers</b></p> <p>The statement of financial performance reflects an amount of Kshs. 11,966,670 in respect to casuals and contractual staff as disclosed in Note 11 of the financial statements. It was noted that Management engaged casual workers for more than three months. This was contrary to the County Public Service Human Resource Manual, May 2013 Section 5.1b(1) which states that (1) Casual workers shall be engaged only on urgent short-term tasks with the approval of the County Public Service Board and they shall not be engaged for more than three months, as stipulated in the Employment Ac, 2007.</p>	The payment of Kshs. 11,966,670 to casual workers was necessitated by critical staffing shortages in essential service areas such as the mortuary, kitchen, and laundry. These engagements were extended to maintain uninterrupted hospital operations while awaiting recruitment by the County Public Service Board. Measures have been instituted to ensure compliance with Section 5.1b(1) of the County Public Service Human Resource Manual by capping future engagements to a maximum of three months.	Resolved	
11.	<p><b>Unutilized Managed Equipment Services</b></p> <p>The statement of financial position reflects a balance of Kshs.681,655,878 in respect to property, plant and equipment as disclosed in Note 21 of the financial statements out of which Kshs.347,951,221 relates to plant and medical equipment. The balance includes Managed Equipment Services (MES) of undetermined value outsourced by the Ministry of Health. However, interviews with Management and physical inspection carried out in the month of April, 2024 revealed that the maintenance contracts had expired. Therefore, some equipment including renal</p>	While Managed Equipment Services (MES) were designed to provide regular maintenance for critical medical equipment, expired contracts led to service lapses, rendering some machines non-functional. Notably, contracts for sterilization and surgical equipment have been renewed, restoring functionality. However, contracts for renal dialysis and radiology equipment are pending renewal by the Ministry of Health. Management is actively following up to expedite these renewals and ensure consistent maintenance going forward.	Resolved	

***Iten County Referral Hospital, Elgeyo Marakwet County Government  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2024***

	dialysis equipment, Intensive Care Unit (ICU) equipment, X-ray and other imaging equipment were not functioning since they had not been serviced.			
12.	<p><b>Expiry of Medical Supplies</b> The statement of financial position reflects an inventory balance of Kshs.23,953,653 as disclosed in Note 20 to the financial statements. Review of the store records on pharmaceuticals and non-pharmaceuticals revealed that undetermined quantities of various drugs of which had expired.</p>	Expired pharmaceuticals and non-pharmaceuticals were primarily due to donations from KEMSA with short shelf lives. Although accepted to meet urgent healthcare needs, their limited shelf life posed distribution challenges. Strengthened inventory monitoring systems are now in place to track expiry dates and flag items for immediate use or redistribution. Future donations will only be accepted with sufficient remaining shelf life, and expired items were disposed of following regulatory guidelines.	Resolved	
13.	<p><b>Failure to Dispose Unserviceable Assets</b> The statement of financial position reflects Kshs.681,655,878. Property, plant and equipment balance of However, physical inspection verification revealed unserviceable assets that have not been disposed of and the same remain unutilized. This was Contrary to the Public Procurement and Asset Disposal Act, 2015 Section 164 (1) which states that the employee in charge of unserviceable, obsolescent, obsolete or surplus assets shall bring the matter to the attention of the Disposal Committee through the Head of the Procurement Function.</p>	The disposal of unserviceable assets is delayed pending a final report from the intergovernmental relations technical committee verifying asset ownership. Once the report is complete, the hospital will proceed with the disposal process in line with the Public Procurement and Asset Disposal Act, 2015.	Resolved	
14.	<p><b>Unfulfilled Customer Orders</b> Statement of financial performance reflects medical/clinical costs Kshs.131,971,215 as disclosed in Note 10 to the financial statements.</p>	To address this, alternative suppliers such as MEDS have been engaged to ensure continuity of medical services. A contingency procurement plan and framework agreements with local suppliers have been developed to mitigate future	Resolved	

**Iten County Referral Hospital, Elgeyo Marakwet County Government**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2024**

	<p>However review of ordering records indicated that the Hospital made quantity orders amounting to Kshs.33,737,110 from Kenya Medical Supplies Authority (KEMSA) out of which only orders amounting to Kshs.22,769,912 or 67% were received resulting to unfulfilled orders of Kshs.10,967,198 or 36%. Further, there was no evidence to show that the unfulfilled orders were procured from other sources to provide all time availability of medical services.</p>	<p>disruptions.</p>		
15.	<p><b>Improper Storage of Pharmaceuticals and Non-Pharmaceuticals</b>                  Review of management system of pharmaceuticals and non-pharmaceuticals revealed inadequate facilities for the storage of pharmaceuticals resulting in keeping boxes containing the drugs on the floor.                  In the circumstances, the availability of an effective stock control management system for pharmaceuticals and non-pharmaceuticals could not be confirmed.                  The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall governance</p>	<p>Inadequate storage facilities led to temporary placement of boxes on the floor during a large shipment influx. Additional shelving and pallet systems have been installed, and redistribution storage has been allocated to sub-county stores. These measures ensure proper stock management and compliance with pharmaceutical storage standards.</p>	Resolved	



Mr. Reuben Chesire,  
 Chairman of the Board

Date: 9<sup>th</sup> December, 2024



Dr. Deborah Chepchirchir  
 Medical Superintendent

Date: 9<sup>th</sup> December, 2024

*Iten County Referral Hospital, Elgeyo Marakwet County Government  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2024*

**Appendix II: Projects Implemented by the Entity**

**Projects**

Projects implemented by the Hospital Funded by development partners

Project Number	Project title	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1	Amenity Ward	County Government of Elgeyo Marakwet	1 year	14,098,614	Yes	Yes
2						

**Status of Projects completion**

SN	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Amenity Ward	14,098,614	10,531,331	75%	14,098,614	14,098,614	County Government of Elgeyo Marakwet
2							
3							