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THE AUDITOR-GENERAL

ON

CHEPTALAL LEVEL 3B HOSPITAL

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

COUNTY GOVERNMENT OF BOMET

Issued 30th June 2022



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

11 JUL 2024

RECEIVED

CHEPTALAL Level 3B HOSPITAL (Bomet County Government)

**ANNUAL REPORT AND AMENDED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2022**

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

*Cheptal Sub County Hospital
Bomet County Government
Annual Report and Amended Financial Statements For The Year Ended 30th June 2022*

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I. Key Hospital Information and Management

(a) Background information

Cheptalal Sub County Hospital is a level (3 B) hospital established under gazette notice number VOL.CXXII- No. 24 of 4th February 2020 as Comprehensive Health Centre and is domiciled in Bomet County under the Health Services Department. The hospital is governed by a Board of Management.

(b) Principal Activities

The principal activity/mission/ mandate of the hospital is to ...
(Under this section you may also include the Hospital's vision, mission and core objectives)

(c) Key Management

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

- County department of health Services
- Board of Management
- Accounting Officer/ Medical Superintendent
- Hospital Management Team
- County Health Management Team

(d) Fiduciary Management

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

No.	Designation	Name
1.	Medical Superintendent	Dr Nickson Mutai
2.	Head of finance	Ngeno Peter
3.	Head of supply chain	Beatrice Chemutai
4.	Health Administrative officer	Jackson Towett
5.	Nursing Officer in charge	Joyce Cheptoo

(Include all positions regarded as top management in your organisation).

(e) Fiduciary Oversight Arrangements

[Here, provide a high-level description of the key fiduciary oversight arrangements covering (say)]

- Health management team.

The Medicines and Therapeutics Committee (MTC) is a multidisciplinary committee responsible for overseeing policies and procedures related to all aspects of medicines and other health products and technologies use. It evaluates the clinical use of medicines, formulates policies for managing medicines and other health products and technologies use and administration, Pharmacovigilance and safety aspects and manages the formulary system. It also has broad responsibilities in determining which essential health product and technology will be available in

the facility under its jurisdiction and how they will be used. It evaluates, educates, and advises medical staff and organisational administration in all matters pertaining to the use of medications.

Executive expenditure committee.

Executive Expenditure Committee means a subcommittee of the Hospital Management Team that consist of Medical superintendent, Nursing officer in-charge, Health Administrative Officer, Pharmacist and any other officer that might be co-opted, whose main role is to implement the approved expenditure plans. It ensures prudent allocation and use of hospital resources. Ensures and adheres to annual operation plan in resource allocation and expenditure. Review and recommends hospital allocation as per the annual operation plan

Quality improvement committee.

The QIC is the senior level committee accountable directly to the Hospital management team and hospital board. The purpose of the QIC is to provide oversight and direction in assessing the appropriateness of care and service delivered and to continuously enhance and improve the quality of care and services provided to members. Quality improvement is the framework used to systematically improve care. Quality improvement seeks to standardize processes and structure to reduce variation, achieve predictable results, and improve outcomes for patients, healthcare systems. Quality improvement professionals review patient and other medical data and analyze processes used to provide care. Using that information, they work to identify areas of improvement and highlight areas of excellence.

Hospital Infectious committee.

- The infection control committee functions to prevent and control healthcare-associated infections by setting infection control policy and monitoring practices to reduce these risks. Preventing healthcare-associated infections has become highly technical, advises on the prevention, surveillance, investigation and control of infection within the Hospital and community. It includes but not limited to
- Hand hygiene.
- Use of personal protective equipment (e.g., gloves, masks, eyewear).
- Respiratory hygiene / cough etiquette.
- Sharps safety (engineering and work practice controls).
- Safe injection practices (i.e., aseptic technique for parenteral medications).
- Sterile instruments and devices

Other committees are

- Commodities security committee.
- Medicine therapeutic committee
- Maternal death review committee
- Staff welfare committee

(f) Hospital Headquarters

P.O. Box 12
Taboino Village
Koiwa-Sotit Road
Mogogosiek, KENYA

(g) Hospital Contacts

Telephone: (+254) 769369814
E-mail: cheptalalsch@bomet.go.ke
Website: www.bomet.go.ke

(h) Hospital Bankers

Kenya Commercial Bank
Family Bank Limited

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

(k) County Attorney

County Government of Bomet
P.O. Box. 19
Bomet, Kenya

II. The Board of Management

Ref	Directors	Details
1.	Sammy Cheruiyot	Board Chair, Team Leader
2.	Dr. Nickson Mutai MBChB	Secretary HMB , Medical Superintendent and Technical advisor
3.	Jackson Towett	Member, HAO,

III. Management Team

Ref	Management	Details
1.	Dr. Nickson Mutai MBChB	Team Leader, Chair Health Management Team Head of clinical and administrative services and secretary to the Hospital Management Board, Member KMPDB.
2.	Jackson Towett	Head non support services, secretary HMT and Member HMB, Member of Nursing Council of Kenya
3.	Ngeno Peter	Head Financial Services and HMT member. ICPAK Member. Holder of MBA, BBM.
4.	Beatrice Chemutai	Head of supplies chain management and Member HMT
5.	Joyce Cheptoo	Head nursing services and Member HMT. Member of Nursing council of Kenya. Senior Nursing officer
6.	Cosmas Maritim	Head Health records and information and member HMT
7.	Zeddy Chemutai	Head of pharmaceuticals and non pharmaceuticals and member HMT

IV. Chairman's Statement

Cheptalal Sub County Hospital serves as one of the main facilities in Konoin Sub County.

It is a level 3 hospital with significant impact in provision of curative health services, some rehabilitative and preventive health.

It is staffed with staff employed by the County Government of Bomet, support from Walter Reed Program in the HIV clinics and other support staff engaged by the facility on short term contracts.

The hospital receives a monthly AIE from the department of Health services.

This amount though inadequate has enabled the hospital carry out its operations. I have constantly requested the department to increase the allocation due to prevailing economic situation and call for expansion of service delivery. There is need to expand the hospital to match the ever increasing demand for inpatient services.

V. Report of The Chief Executive Officer

The general outlay of the Hospital with regard to the performance of the financial year 2021/22 has been fair. The challenges posed by the global Covid19 pandemic had its impact on the healthcare system during the said year.

Human resources. The facility is fairly staffed though; some departments are understaffed. The challenge of staff retention still ensues. There is need for concerted efforts in ensuring that this critical element remains adequately resourced. Staff capacity building needs to be enhanced.

Financial. The hospital revenue base from out of pocket payment as well as corporate insurance rose significantly during the reporting period. Remittances from NHIF have been prompt. However, a big percentage of clients are still accessing health services through out of pocket payment negative regarding universal health coverage. The hospital receives an AIE from the department of health services which aid hospital operations.

Infrastructure. The institution will need an upgrade in some of the critical infrastructure especially with regards to waste management. The wards are generally inadequate. Power supply is unstable and there is need for green energy to be explored.

Overall, the year has been successful and looking forward to improved work performance

VI. Statement Of Performance Against Predetermined Objectives

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

Hospital has strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 21- FY 22. These strategic pillars/ themes/ issues are as follows:

Pillar /theme/issue 1:

Pillar/theme/issue 2:

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

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar/ theme/ issue 1:				
Pillar/ theme/ issue 1:				

(Under this section therefore, the management should include performance against the strategic objectives of the organisation. The management should outline the strategic Pillars, activities towards their achievement and outputs under each strategic pillar. The organisation should also briefly outline how they have tied achievements to performance contracts)

VII. Corporate Governance Statement

The hospital is yet to be declared as an Hospital as contemplated in PFM Act section 5 and section 109 subsection 2b however, the hospital has been operating under the framework of hospital management board and health facility management committee policy 2018.

Management Discussion and Analysis

Cheptalal Sub county hospital is one of the hospitals in Konoin County. It has a bed capacity of 10 distributed as follows.

- Male wards – 1
- Female ward -1

- Maternity ward - 7
- Paediatrics ward - 1

The hospital offers both inpatient and outpatients services, besides other clinics as in comprehensive HIV/ TB management.

Clinical/operational performance

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

Financial performance that includes

During the period, the facility received support from Health Department as AIE to support its operation. Owing to nature of funds received it is largely used in the acquisition of drugs and non pharmaceuticals, payment of staff emoluments, minor repairs, purchase small equipments and other support services. The hospital levies fees through NHIF as Linda Mama, Edu afya and cash from other walk ins. All the fees received are remitted to County revenue account.

VIII. Environmental And Sustainability Reporting

Cheptalal hospital exists to transform lives. It's what guides us to deliver our strategy, putting the client/Citizen first, delivering health services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability. (Tailor make as appropriate).

i) Sustainability strategy and profile

The top management especially the accounting officer should make reference to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failure.

ii) Environmental performance

Cheptalal hospital Outline use kaizens policy that is (5 s)the five s is for: sort, set ,shine standardise and sustain. The policy has been given to every department and also mounted on the hospital's notice board.

The health care staff are provided with personal protective equipment (PPE) such as clean gloves and sterile gloves, and masks. Health care workers are advised to minimise waste originating from their departments as much as possible. each department is provided with bin liners (RED, YELLOW BLACK) and safety boxers RED BIN LINER is for highly infectious waste such as placentas, yellows bin liners are for infectious waste such as gloves and black bin liners are for general waste such as papers food etc. Safety boxers are for sharps objects such as syringes

The success of the measures instituted at the a\hospital has contributed to reductions of hospital acquired infections among the health care workers and the general public

The shorting coming of the measures above is poor segregations of waste and inadequate bin liners.

iii) Employee welfare

Hiring process for health care workers is done by the county government of Bomet through public service board except for casual works which are hired by hospital board on a three months' basis. The hiring of casuals takes into account the gender rule of two third. Training and skill improvements is done by the county department of medicals services

Hospital exists to transform lives. It's what guides us to deliver our strategy, putting the client/Citizen first, delivering health services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability. (Tailor make as appropriate).

iv) Sustainability strategy and profile

The top management especially the accounting officer should make reference to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failure.

v) Environmental performance

Outline clearly, environmental policy guiding the organisation, provide evidence of the policy. Outline successes, shortcomings, efforts to manage biodiversity, waste management policy and efforts to reduce environmental impact of the organisation's products.

vi) Employee welfare

Give account of the policies guiding the hiring process and whether they take into account the gender ratio, whether they take in stakeholder engagements and how often they are improved. Explain efforts made in improving skills and managing careers, appraisal and reward systems. The organisation should also disclose their policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA.)

vii) Market place practices-

The organisation should outline its efforts to:

a) Responsible competition practice.

Explain how the organisation ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition, and respect for competitors.

b) Responsible Supply chain and supplier relations

Explain how the organisation maintains good business practices, and treats its own suppliers responsibly by honouring contracts and respecting payment practices.

c) Responsible marketing and advertisement

Outline efforts to maintain ethical marketing practices.

d) Product stewardship

Outline efforts to safeguard consumer rights and interests.

viii) Corporate Social Responsibility / Community Engagements

The organisation gives details of CSR activities carried out in the year and the impact to the society. Give evidence of community engagement including charitable giving (cash and material), Corporate Social Investment and other forms of community engagements.

IX. Report of The Board of Management

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

Principal activities

The principal activities of Cheptalal Hospital are medical examinations, and operations, laboratory services, surgery, rehabilitations, Maternal, child health and family planning, public health services and HIV/AIDS and TB management.

Results

The results of the Hospital for the year ended June 30th 2022 are set out on page 1-23

Board of Management

The members of the Board who served during the year are shown on page vii. During the year 9 directors retired/ resigned and none was appointed with effect from April 2022

Auditors

The Auditor General is responsible for the statutory audit of the Hospital in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of the Hospital for the year/period ended June 30, 2022 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board



Dr. Nickson Mutai
Secretary to the Board

X. Statement of Board of Management’s Responsibilities

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


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


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

Nothing has come to the attention of the Board of management to indicate that the Hospital 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 _____ and signed on its behalf by:


.....
Name: Sammy A cheruoyal
Chairperson
Board of Management


.....
Name: Dr. Muiat NICKSON
Accounting Officer

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON CHEPTALAL LEVEL 3B HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2022 – COUNTY GOVERNMENT OF BOMET

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Cheptalal Level 3B Hospital – County Government of Bomet set out on pages 1 to 32, which comprise of the statement

Report of the Auditor-General on Cheptalal Level 3B Hospital for the year ended 30 June, 2022 – County Government of Bomet

of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of the Cheptalal Level 3B Hospital – County Government of Bomet as at 30 June, 2022 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the County Government Act, 2012, the Public Finance Management Act, 2012 and the Health Act, 2017.

Basis for Adverse Opinion

1. Inaccuracies in the Financial Statements

Review of the financial statements revealed the following anomalies:

1.1. Statement of Financial Position

The statement of financial position reflects total net assets balance of Kshs.89,247,593. However, a re-computation of the balance indicates an amount of Kshs.90,039,593 resulting in an unexplained variance of Kshs.792,000. Further, the statement reflects total net assets and liabilities balance of Kshs.92,758,151 whereas the re-computed amount is Kshs.90,255,596 resulting in an unexplained variance of Kshs.2,502,555. In addition, the statement reflects a capital fund balance of Kshs.90,039,593. However, the statement of changes in net assets reflects a nil balance resulting in an unexplained variance of Kshs.90,039,593. The details of the capital fund balance and the supporting schedules were not provided for audit verification.

1.2. Statement of Cash Flows

Further, the statement of cash flows reflects net cash flows from operating activities amount of Kshs.216,003. However, the statement has not disclosed the effect of receivables from exchange transactions, receivables from non-exchange transactions, inventories, property, plant and equipment and trade payables on the cash flows of the Hospital. Further, the statement reflects cash and cash equivalents balance of Kshs.216,003 as at 30 June, 2022. However, the statement of financial position reflects a cash and equivalents balance of Kshs.321,050 resulting in an unexplained variance of Kshs.105,047.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

2. Variance in the Cash and Cash Equivalents Balance

The statement of financial position reflects cash and cash equivalents balance of Kshs.321,050 as disclosed in Note 14 to the financial statements. Included in the balance is an amount of Kshs.4,107 in respect of an account held in a local bank. However, the bank reconciliation statement as at 30 June, 2022 reflects a cashbook balance of Kshs.4,469 resulting in an unexplained variance of Kshs.362.

In the circumstances, the accuracy of the cash balance of Kshs.4,107 could not be confirmed.

3. Unsupported Property, Plant and Equipment Balance

The statement of financial position reflects property, plant and equipment balance of Kshs.87,193,210 as disclosed in Note 19 to the financial statements. Although Management provided an asset listing supporting the balance, there was no valuation report to indicate how the assets' values were determined. Further, Note 19 to the financial statements did not comply with the recommended financial reporting template since it disclosed the assets at their acquisition cost but without any depreciation charged on the various classes of assets and their net book value.

Further, the property, plant and equipment balance includes land with a value of Kshs.5,145,000. However, Management did not provide the ownership documents including title deeds for the land that the Hospital owns.

In the circumstances, the accuracy, completeness, ownership and valuation of the property, plant and equipment balance of Kshs.87,193,210 could not be confirmed.

4. Revenue

4.1 Variance in the Transfers from County Government

The statement of financial performance reflects transfers from the County Government amount of Kshs.7,670,000 as disclosed in Note 6 to the financial statements in respect of revenue received from the County Government. However, the supporting ledgers provided for audit indicated an amount of Kshs.10,838,000 resulting to an unexplained variance of Kshs.3,168,000.

Further, included in the balance of Kshs.7,670,000 is an Authority to Incur Expenditure (AIE) for the month of June, 2021 amounting to Kshs.742,000. The amount related to the financial year 2020/2021 and therefore should not have been included in the revenue for the financial year 2021/2022. The revenue from the County Government was thus overstated by the amount of Kshs.742,000

In the circumstances, the accuracy and completeness of transfers from the County Government balance of Kshs.7,670,000 could not be ascertained.

4.2 Variance in Revenue from Rendering Services

The statement of financial performance reflects rendering of services – medical service income amount of Kshs.5,788,073 as disclosed under Note 8 to the financial statements. The amount includes claims reimbursed from the National Health Insurance Fund (NHIF) amounting to Kshs.5,398,645. However, NHIF payment schedule revealed that an amount of Kshs.3,023,600 was paid by the Fund to the Hospital resulting to an unexplained variance of Kshs.2,375,045.

In the circumstances, the accuracy and completeness of the revenue from NHIF amount of Kshs.5,398,645 could not be confirmed.

5. Unsupported Payments of Employee Wages

The statement of financial performance reflects employee's costs amounting to Kshs.2,546,656 as disclosed in Note 10 to the financial statements.

However, the Hospital did not have approved guidelines or policies on recruitment and payment of Hospital casual employees. It was therefore not possible to determine how the wages rates that were paid by the Hospital to its casual workers were determined. No explanation was provided by Management for the anomaly.

In the circumstances, the regularity and value for money on the employee costs of Kshs.2,546,656 could not be confirmed.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Cheptalal Level 3B Hospital (County Government of Bomet) 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 Adverse opinion.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based

on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Late Submission of Financial Statements

The Hospital's financial statements for the financial year 2021/2022 were submitted for audit on 24 April, 2024 which was more than eighteen (18) months after the expected submission date of 30 September, 2022. This is contrary to Section 81 (4) (a) of the Public Finance Management Act, 2012 which states that not later than three months after the end of each financial year, the Accounting Officer for the entity shall - submit the entity's financial statements to the Auditor-General.

Further, Paragraph 5.3 of the Public Sector Accounting Standards Board guidelines on implementation of IPSAS Accrual by level 4 and 5 Public Hospitals in Kenya states that "the hospitals' reporting period runs from 1 July to 30 June each year. The first period of reporting under the new accounting framework is 30 June, 2022. The level 4 and 5 hospitals are expected to prepare financial statements for 12 months from 1 July, 2021 to 30 June, 2022 and subsequent periods.

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

2. Misclassification on Role of Hospitals in Universal Health Care (UHC)

Review of the Hospital's operations and records revealed that the health facility is actually operating as a level 3 hospital since it offers outpatient services only and the only ward available is for maternity services. The Hospital facilities could not be compared with the level 4 checklist since its facilities, services and medical staff were far below the expectation of a level 4 hospital.

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

In the circumstances, the Hospital may not be providing the required medical services to the public due to limited facilities, services and medical staff.

The audit was conducted in accordance with the ISSAI 4000. The Standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply, in all material respects, with the authorities that govern them.

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

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

Conclusion

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

Basis for Conclusion

1. Lack of a Functional Hospital Board of Management

Review of the Hospital records provided revealed that the Board of Management members were appointed on 27 March, 2019. According to the appointment letters, the Board members were appointed on a three-year term which ended on 27 March, 2022. However, the outgoing Board members were not re-appointed nor a new Board constituted. Therefore, the Hospital operated without a Board for three (3) months in the year under review. No explanation was provided for the anomaly.

Further, personal files for the Board members were not provided for audit verification. It was therefore not possible to ascertain whether the board members appointed had the requisite qualifications and experience.

In the circumstances, the Hospital may not have benefited from oversight and effective decision making from the Board of Management.

2. Lack of Updated Fixed Assets Register

The statement of financial position reflects a balance of Kshs.87,193,210 in respect of property plant and equipment and as disclosed under Note 19 to the financial statements. However, the fixed assets register provided during the audit was not updated and did not contain some details of the respective assets owned by the Hospital such as location, depreciation amounts, tag numbers and net book value among others.

In the circumstances, the internal controls in relation to the management of assets could not be confirmed.

3. Lack of Annual Procurement Plan

During the year under review, the Hospital operated without an annual procurement plan as required by Regulation 40(1) of the Public Procurement and Assets Disposal Regulations, 2020 which requires a procuring entity to prepare a procurement plan for each financial year as part of the annual budget preparation process.

In the circumstances, the effectiveness of alternative process of managing procurement function could not be ascertained.

The audit was conducted in accordance with the ISSAIs 2315 and 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 the Management and the Board of Management

The Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control 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 I governance.

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, the 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.

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect

a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi




02 August, 2024

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

Description	Notes	2021/22
		Kshs
Revenue from non-exchange transactions		
Transfers from the County Government	6	7,670,000
Other income (Bal b/f)	7	466,109
Revenue from exchange transactions		
Rendering of services- Medical Service Income	8	5,788,073
Total revenue		13,924,182
Expenses		
Medical/Clinical costs	9	2,088,285
Employee costs	10	2,546,656
Repairs and maintenance	11	1,256,759
Grants and subsidies / Transfers	12	6,208,073
General expenses	13	1,608,406
Total expenses		13,708,179
Net Surplus for the year		216,003

(The notes set out on pages 21 to 24 form an integral part of the Annual Financial Statements.)

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

 Chairman Board of Management	 Head of Finance ICPAK No:	 Medical Superintendent
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XIII. Statement of Financial Position as of 30th June 2022

Description	Notes	2021/22	2020/21
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	14	321,050	
Receivables from exchange transactions	16	1,153,600	
Receivables from non-exchange transactions	15	2,376,000	
Inventories	18	1,714,291	
Total Current Assets		5,564,941	
Non-current assets			
Property, plant, and equipment	19	87,193,210	
Total Non-current Assets		87,193,210	
Total assets		92,758,151	
Liabilities			
Current liabilities			
Trade and other payables	17	2,718,558	
Total Current Liabilities		2,718,558	
Total Liabilities		2,718,558	
Net assets		89,247,593	
Accumulated surplus/Deficit		216,003	
Capital Fund		90,039,593	
Total Net Assets and Liabilities		92,758,151	

(The notes set out on pages 20-24 forms an integral part of the Annual Financial Statements.)

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

.....
Chairman
Board of Management

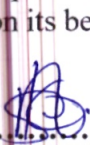
.....
Head of Finance
ICPAK No:

.....
Medical Superintendent

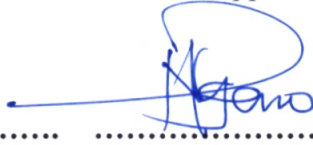
XIV. Statement of Changes in Net Asset for The Year Ended 30 June 2022

	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2020	-	-	-	-
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	-	-	-
Capital/Development grants	-	-	-	-
As at June 30, 2021	-	-	-	-
At July 1, 2021	-	-	-	-
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	216,003	-	216,003
Capital/Development grants	-	-	-	-
At June 30, 2022	-	216,003	-	216,003

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



Chairman
Board of Management



Head of Finance
ICPAK No:



Medical Superintendent

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

Description		2021/22	2020/21
	Note	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government	6	7,670,000	-
Other income (Bal b/f)	7	466,109	
Revenue from exchange transactions			
Rendering of services- Medical Service Income	8	5,788,073	
Total Receipts		13,924,182	
Payments			
Medical/Clinical costs	9	2,088,285	
Employee costs	10	2,546,656	
Repairs and maintenance	11	1,256,759	
Grants and subsidies / Transfers	12	6,208,073	
General expenses	13	1,608,406	
Total Payments		13,708,179	
Net cash flows from operating activities		216,003	
Cash flows from investing activities			
Net cash flows used in investing activities			
Cash flows from financing activities			
Net cash flows used in financing activities			
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at 1 July		216,003	
Cash and cash equivalents at 30 July		216,003	

The notes set out on pages 22 to 24 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on _____ and signed on its behalf by:



.....
Chairman
Board of Management



.....
Head of Finance
ICPAK No:



.....
Medical Superintendent

XVI. Statement Of Comparison of Budget and Actual Amounts For The Year Ended 30 June 2022

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	A	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Transfers from the County Government	8,904,000	350,000	9,254,000	7,670,000	1,584,000	83%
Rendering of services- Medical Service Income	3,500,000	0	3,500,000	5,788,073	2,288,073	165%
Other (Balance b/f)	466,109	0	466,109	466,109	0	0%
Total income	12,870,109	350,000	13,220,109	13,924,182	3,872,073	105%
Expenses						
Medical/Clinical costs	3,011,813	150,000	3,161,813	2,088,285	1,073,528	66%
Employee costs	3,068,260	100,000	3,168,260	2,546,656	621,604	80%
Repairs and maintenance	1,392,529	50,000	1,442,529	1,256,759	185,770	87%
Grants and subsidies	3,500,000	0	3,500,000	6,208,073	2,708,073	177%
General expenses	1,897,507	50,000	1,947,507	1,608,406	339,101	83%
Surplus for the period	0	0	0	216,003	216,003	%
Capital expenditure	12,870,109	350,000	13,220,109	13,924,182		%

The notes set out on pages 22 to 23 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on _____ and signed on its behalf by:

.....
Chairman
Board of Management

.....
Head of Finance
ICPAK No:

.....
Medical Superintendent

XVII. Notes To the Financial Statements

1. General Information

Cheptalal Hospital is established by and derives its authority and accountability from The Medical Practitioners and Dentist Act. The Hospital is wholly owned by the Government of Kenya and is domiciled in Kenya. The Hospital's principal activity is Curative and preventive health Services.

2. Statement of Compliance And Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the 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 Note XVII 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 (include any other applicable legislation), and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

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

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

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

Cheptalal Sub County Hospital (Bomet County Government)
Annual Report and Amended Financial Statements for The Year Ended 30th June 2022

	<p>(c) The impact of such social benefits provided on the Hospital's financial performance, financial position and cash flows.</p> <p>(State the impact of the standard to the Hospital if relevant)</p>
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p>(State the impact of the standard to the Hospital if relevant)</p>
Other improvements to IPSAS	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • IPSAS 22 Disclosure of Financial Information about the General Government Sector. <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • IPSAS 39: Employee Benefits <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p> <p>State the impact of the standard to the Hospital if relevant</p>
IPSAS 43	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that</p>

	<p>leases have on the financial position, financial performance and cashflows of an Hospital.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p>State the impact of the standard to the Hospital if relevant</p>
<p>IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations</p>	<p>Applicable 1st January 2025</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> <p>State the impact of the standard to the Hospital if relevant</p>

ii. Early adoption of standards

The Hospital did not early – adopt any new or amended standards in the year xx/xx

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.

Notes to the Financial Statements (Continued)

Revenue from exchange transactions

Rendering of services

The Hospital 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 Hospital.

Interest income

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

Dividends

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

Rental income

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

Notes to the Financial Statements (Continued)

b) Budget information

The original budget of Kshs 8,904,000 for FY 2021/2022 was approved by Board on 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Hospital upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Hospital recorded additional appropriations of **350,000** on the FY 2021/2022 budget following the Board's approval. 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 **XVI** of these financial statements.

Notes to the Financial Statements (Continued)

c) Taxes

Sales tax/ Value Added Tax

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

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

d) Investment property

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

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

e) Property, plant and equipment

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

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

Notes to the Financial Statements (Continued)

f) Leases

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

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 Hospital 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 Hospital. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

g) Intangible assets

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

h) Research and development costs

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

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

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

i) Financial instruments

Financial assets

Initial recognition and measurement

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

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

Loans and receivables

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

Notes to the Financial Statements (Continued)

Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

Notes to the Financial Statements (Continued)

Loans and borrowing

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

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

i) Inventories

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

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

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

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

j) Provisions

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

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

Notes to the Financial Statements (Continued)

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

Contingent liabilities

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

Contingent assets

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

k) Nature and purpose of reserves

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

l) Changes in accounting policies and estimates

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

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

Notes to the Financial Statements (Continued)

n) Foreign currency transactions

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

o) Borrowing costs

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

p) Related parties

The Hospital regards a related party as a person or an Hospital 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.

q) Service concession arrangements

The Hospital analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, 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.

Notes to the Financial Statements (Continued)

r) Cash and cash equivalents

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

s) Comparative figures

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

t) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 20XX.

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 Hospital based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Hospital. Such changes are reflected in the assumptions when they occur.(IPSAS 1.140)

Notes to the Financial Statements (Continued)

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in No

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

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

6. Transfers from The County Government

Name of the Hospital sending the grant	Amount recognized to Statement of financial performance KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	Total 2021/22
			KShs	KShs	KShs
Bomet County Government	7,670,000	2,376,000	0	10,046,000	-
Total	7,670,000	2,376,000	0	1,046,000	-

7. Cash Bal b/f

Description	2021/22	2020/21
	KShs	KShs
Balance unspent at beginning of year		
Current A/C (KCB)	466,109	

8. Rendering of Services-Medical Service Income

Description	2021/22	2020/21
	KShs	KShs
Revenue from NHIF	5,398,645	
Cash Collections-pay Bill	389,428	
Total	5,788,073	

9. Medical/ Clinical Costs

Ledgers

Description	2021/22	2020/21
	KShs	KShs
Laboratory chemicals and reagents	102,500	
Food and Ration	617,635	
Dressing and Non-Pharmaceuticals	713,150	
Pharmaceutical supplies	291,850	
Health information stationery	85,500	
Sanitary and cleansing Materials	277,650	
Other medical related clinical costs (Transfers to dispensaries)	0	
Total	2,088,285	

10. Employee Costs

Description	2021/22	2020/21
	KShs	KShs
Salaries, wages, and allowances	2,546,656	
Employee costs	2,546,656	

11. Repairs And Maintenance

Description	2021/22	2020/21
	KShs	KShs
Property- Buildings		
Total	1,256,759	

12. Grants And Subsidies / Transfers

Description	2021/22	2020/21
	KShs	KShs
Transfers to satellite Dispensaries - Kitala	420,000	
Transfer to CG Collection A/C	5,788,073	
Total	6,208,073	

13. General Expenses

Description	2021/22
	KShs
Catering expenses	70,500
Bank charges	4,039
Electricity expenses	239,337
Travel and accommodation allowance	784,100
Printing and stationery	176,930
Refined fuels and lubricants	333,500
Total	1,608,406

14. Cash And Cash Equivalent

Description	2021/22
	KShs
Current account KCB 1108430333	316,942.50

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Current Account Family Bank 084000024564	4,107
Total	321,049.5

15. Receivables from Non exchange Transactions

Description	2021/22	2020/21
	KShs	KShs
Transfers from County Government	2,376,000	
Total	2,376,000	

16. Receivables from exchange Transactions

Description	2021/22	2020/21
	KShs	KShs
Linda Mama	1,153,600	
Total	1,153,600	

17. Trade and other payables

Description	2021/22	2020/21
	KShs	KShs
Food and Ration	301,715	
Dressing and Non-Pharmaceuticals	160,185	
Health information stationery	33,000	
Sanitary and cleansing Materials	41,450	
Transfer to CG Collection A/C	1,258,540	
Salaries, wages, and allowances	360,243	
Medical equipment	60,100	
Office equipment	22,000	
Computers and accessories	49,100	
Maintenance of civil works	87,060	
Telephone	40,000	
Bank charges	1,065	
Electricity expenses	79,000	
Transfer to Kitale	84,000	
Printing and stationery	38,000	
Refined fuels and lubricants	103,100	

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Total	2,718,558	
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18. Inventories

Description	2021/22	2020/21
	KShs	KShs
Pharmaceutical supplies	1,714,290.78	
Total	1,714,290.78	

19. Property, Plant and Equipment

Description	Land	Buildings and Civil works	Plant	Tea Bushes	Equipment and furniture	Total
	Shs		Shs	Shs		Shs
At 30th June 2022	5,145,000	30,000,000	180,000	73,350	51,974,860	87,193,210
						87,193,210

20. Financial Risk Management

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

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

(i) Credit risk

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

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Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2021				
Bank balances	466,106			
Total	466,106			
At 30 June 2022				
Receivables from exchange transactions -NHIF	1,153,600			
Receivables from –non-exchange transactions Transfers from County AIE	1,584,000			
Bank balances	332,443			
Total	3,070,043			

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

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

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

(ii) Liquidity risk management

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

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

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	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 20xx				
Total				
At 30 June 20xx				
Trade payables	2,718,558			
Total				

(iii) Market risk

The hospital has put in place an internal audit function to assist it in assessing the risk faced by the Hospital 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 Hospital's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

a) Foreign currency risk

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

	KShs	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 20xx			
Financial assets (investments, cash, debtors)			
Liabilities			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)			

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

	KShs	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 20xx			

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Financial assets (investments, cash, debtors)			
Liabilities			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)			

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21. Related Party Balances

Nature of related party relationships

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

Government of Kenya

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

- i) Board of directors;

During the period the term for Board of Management lapsed and since then no new members have been appointed.

Description	2021/22	2020/21
	Kshs	Kshs
Transactions with related parties		
a)		
b) Services offered to related parties		
Services to walk in patients	389,428	
Sales of services to NHIF Patients	5,398,645	
Total	5,788,073	
c) Grants from the Government		

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Grants from County Government	7,760,000	
Grants from the National Government Entities		
Donations in kind		
Total	13,924,182	
d) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees	2,546,656	
Payments for goods and services for	11,161,523	
Total	13,708,179	
e) Key management compensation		
Directors' emoluments	0	
Total	13,708,179	

