

REPUBLIC OF KENYA



Enhancing Accountability

REPORT



OF

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THE AUDITOR-GENERAL

ON

**SIGOWET SUB-COUNTY
LEVEL 4 HOSPITAL**

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

**COUNTY GOVERNMENT OF
KERICHO**



COUNTY GOVERNMENT OF KERICHO

**SIGOWET SUB-COUNTY LEVEL 4 HOSPITAL
DEPARTMENT OF HEALTH SERVICES
(KERICHO COUNTY GOVERNMENT)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2022

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

Sigowet Sub-County Hospital (Kericho county Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

Table of Contents

I. Key Entity Information and Management	iv
II. The Board of Management	vii
III. Management Team	viii
IV. Chairman's Statement.....	viii
V. Report of The Chief Executive Officer.....	ix
VI. Statement of Performance against Predetermined Objectives	xi
VII. Corporate Governance Statement.....	xi
VIII. Management Discussion and Analysis.....	xi
IX. Environmental And Sustainability Reporting	xiii
X. Report of the Board of Management.....	xiv
XI. Responsibilities of Chief Officer Department of Health Services Error! Bookmark not defined.	
XII. Report of the independent auditors on the entity (Sigowet sub-county hospital)	xv
XIII. Statement of Financial Performance for the Year Ended 30 June 2022.....	1
XIV. Statement of Financial Position as at 30th June 2022.....	2
XV. Statement of Changes in Net Asset for The Year Ended 30 June 2022.....	3
XVI. Statement of Cash Flows for The Year Ended 30 June 2022.....	4
XVII. Statement Of Comparison of Budget and Actual Amounts For The Year Ended 30 June 2022	5
XVIII. Notes To the Financial Statements	6

I. Key Entity Information and Management

Background information

Sigowet Sub-county hospital was established in 1986 as a Health Centre known as Nyayo Wards (tier 3). It was later elevated to Sub County Level-4 Facility in the year 2009 under gazette notice no. 786. The facility is located in Kericho County, /Soin Constituency. It's the only facility of its kind in the constituency. The catchment area is densely populated rural setting serving neighboring Sub Counties such as Nyamira, Nyakach, Nyando and Kasipul Kabondo with an estimated population of over 200,000. We are a 109-bed capacity, Level 4, which serves the needs of the vast South Rift region and the country at large.

Sigowet Sub-County is a department of Health Primary Care Hospital. We offer 24-hour medical services. We provide compassionate and affordable health care services centred on quality and Christ mindedness

Principal Activities

The principal activity/mission/ mandate of the hospital is to:

OUR VISION

“A Healthy population for economic development and quality life”

OUR MISSION

“To provide the highest standards of health services by developing a health system that is Technologically driven, equitable, accessible and community oriented”.

OUR GOAL

“Efficient and effective health service delivery”

OUR CORE VALUES

These values shall guide our character and behaviour:

Professionalism

“We are competent and skilled in the medical profession”

Excellence

“We believe in providing outstanding care to our patients”

Integrity

“We are honest and have strong moral principles”

Key Management

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

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

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.Peter Mugun
2.	Head of Finance	CPA Davis Sang
3.	Head of supply chain	Ms.Lornah Langat
4.	Laboratory in-charge	Mr.Vincent Tonui
5.	Nursing service Manager	Mr.Alfred Sigei
6.	Clinical Services Manager	Mrs.Caroline Chepngetich
7.	Pharmacist in-charge	Dr.Hilda Tonui

Fiduciary Oversight Arrangements

The key fiduciary oversight bodies at the County for the year ended 30th June 2022 were:

- i. Internal Audit unit undertake periodic reviews of expenditures and make recommendations on improprieties noted
- ii. The County Executive Committee is in charge of ensuring all programmes are run smoothly and there is value for money

Entity Headquarters

P.O. Box 112 – 20200
Sigowet Market
, KENYA

(a) Entity Contacts

Telephone: (+254) 721544433,+254703542742
E-mail: sigowethosp@gmail.com
Website:

(b) Entity Bankers

Kenya Commercial Bank Limited
Sonde Branch

(c) Independent Auditors

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

(d) Principal Legal Adviser

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

(e) County Attorney

P.O. Box 112
Kericho, Kenya

II. The Board of Management

The hospital did not have a board of management during the year.

III. Management Team

No.	Designation	Name
1.	Medical Superintendent	Dr.Peter Mugun
2.	Head Of Finance	Mr.Davies Sang
3.	Head Of Supply Chain	Mrs.Lornah Langat
4.	Laboratort incharge	Mr.Vincent Tonui
5.	Nursing Incharge	Mr.Alfred Sigei
6.	Health Records	Mr.Gilbert Yegon
7.	Public Health	Mr.Gilbert Cheruiyot
8.	Clinical officer incharge	Mrs.Caroline Chepnetich
9.	Pharmacy	Dr.Hilda Tonui
10.	Medical Engineering	Mr.Fredrick Rotich
11	Nutrition	Mrs.Judith Chepkorir
12	Orthopeadics	Dr Korir Methusela
13	Human Resource	Mrs.Sandra Ruto
14	Imaging Department	Mr.Fredrick Koech

IV. Chairman's Statement

The board of management did not exist during financial year 2021/2022 and therefore no Chairman's statement.

V. Report of the Chief Executive Officer

Forward by the Medical Superintendent Sigowet Sub-county Hospital

It is my pleasure to present the Hospital financial statements for the year ended 30th June 2022. The financial statements present the financial performance of the Hospital over the last financial year. I take this moment to reach out and share some important updates with you. The Hospital finances its operations through own generated revenues and support from the county Government of Kericho. The key local revenue sources for the Hospital are mainly user fees. The hospital continues to explore new and innovative ways of increasing its local revenue collections.

However, I want to express my deepest gratitude to the staff and every one for your Unwavering dedication and commitment to our mission of providing exceptional healthcare. Your resilience and unwavering spirit in has been truly remarkable. Together, we have continued to deliver quality care to our patients, and for that, I am immensely proud. The past year has taught us the value of collaboration, adaptability, and innovation. We have witnessed extraordinary teamwork and a shared determination to overcome obstacles. We have implemented new protocols, embraced technology, and explored alternative approaches to care delivery. Your collective efforts have not only saved lives but have also set new benchmarks for excellence in healthcare.

We remain committed to providing comprehensive healthcare services across all specialties. We will strive to enhance patient experiences, improve access to care, and invest in cutting-edge technologies to further elevate our standards. Together, we will ensure that our hospital remains a beacon of hope and healing for all those who walk through our doors.

I encourage you to take care of yourselves and each other. Practice self-care, maintain a healthy work-life balance, and seek support when needed. Your well-being is vital to our collective success.

Sigowet Sub-County Hospital (Kericho county Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

As we move forward, let us remember that our hospital community is built on trust, compassion, and a shared vision. By supporting one another, embracing change, and upholding our values, we will continue to make a positive impact on the lives of those we serve. Every member of the organization is committed to being client focused. We think and act with our clients' best interests in mind to fully support them in achieving their goals. In this way, we aim to remain a reliable presence for our clients within an ever-changing world, serving as a health care partner for a new era, while continuing to provide unique, high-value service. We appreciate your continued support and will make every effort to not only meet, but exceed, your expectations. Finally, on behalf of the Hospital Management Team (HMT), we would like to express our gratitude to our dedicated staff and stakeholders that have always given trust and support. And thank the executive and health leadership that has put together best effort and spirit in the past year. The Hospital aimed to achieve our vision and mission to ensure its stability and sustainable growth.

Warm regards



Dr. Mugun Peter
Medical Superintendent
Sigowet-Sub County Hospital

VI. Statement of Performance against Predetermined Objectives

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

Sigowet Hospital had one main strategic pillars/ themes/issues and objectives within FY 2021/2022. These strategic pillars/ themes/ issues are as follows;

Pillar /theme/issue 1: Improve revenue collection.

Sigowet Hospital's revenue collection target was 32,567,079. Assessment of the Board's performance against its annual work plan was done on annually basis. The Hospital achieved its performance targets set for the FY 2021/2022 period as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar/ theme/ issue 1:	Enhance revenue collection	Increase in revenue in comparison with the previous financial year	Fully implementation of enterprise support system	During the financial year 2021/2022 the hospital collected a total of Ksh 32,567,079

VII. Corporate Governance Statement

Commitment to good corporate governance is fundamental in ensuring sustainable stakeholder value and meeting their expectations. Our structures, procedures and processes are anchored on accountability, transparency, responsibility and fairness which are the tenets of good corporate governance.

VIII. Management Discussion and Analysis

Clinical Performance

Hospital continues to provide a wide range of highly specialized healthcare services to its patients. The Specialized services include, specialized outpatient clinics, inpatient care, day care procedures for surgery, dental amongst other services and specialized accident and emergency that receives emergency. The hospital also provides clinical support services that include laboratory, pharmacy and radiology. The hospital strives to ensure that the clinical

Sigowet Sub-County Hospital (Kericho county Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

services provided are safe, timely, appropriate, innovative, and effective. The hospital patient attendance continues to increase despite the many challenges i.e. budgetary constraints and shortage of staff. Our partners includes Kenya Commercial Bank-Sondu Branch, Kenya Medical Training College Campuses, National Health insurance Fund, Local Churches e.g. AGC(Africa Gospel Church).AIC(Africa Inland Church), CATHOLIC, Walter Reed/ Pefpar

Overall patient attendance

The average patient attendance for the year 2021 -2022 FY was 39,351 outpatients and 7,207 in-patients, deliveries 3,911, caesarean Section 450 and major operation 270, Mortalities 389.

Particulars	Number
Bed capacity of the hospital	109
Overall patients attendance(Inpatient & Outpatient) during the year	39,351
Average length of stay for Inpatient	10 days
Bed occupancy rate	80%
Mortality rate	389 Deaths during the year
Surgical theatre utilization (number of operations during the year)	270
Sponsorships and partnerships	0

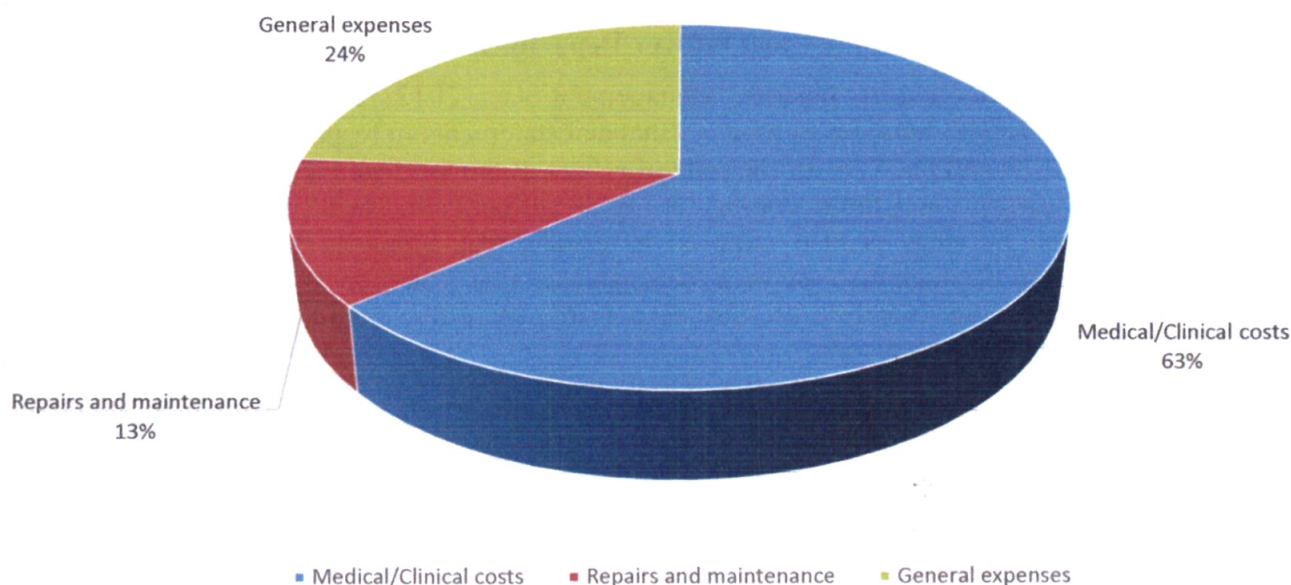
Financial performance

The Hospital revenue is mainly fee charged for services rendered. During the year under review, revenue available for spending was Kes.32, 567,079.00. The breakdown of the amount is as follows:

S/NO.	DESCRIPTION	AMOUNT (KES)
1.	Cash revenue Collected within FY	11,343,108.00
2.	NHIF Received within the FY	21,223,971.00
3.	Transfers to county Revenue within the FY	25,770,872.00
4.	Payments Made Through IFMIS	17,974,374.00
5.	FIF AIES funded to the Hospital	15,770,872.00
6.	NHIF AIEs Authorized	7,035,300.00

The revenue generated during the period was utilized to fund hospital expenditure that totalled Kes. 40,711,317.00. Funds utilization in the year under review and the expenditure trend are depicted in the charts below:

EXPENDITURE PIE CHART



Expenditure Pie Chart

Out of the total expenditure, Kes. 17,974,374.00 were paid through IFMIS special purpose account Kes. 22,736,943.00 were paid through hospital account number in Kenya commercial Bank (account number 1152768719).

IX. Environmental and Sustainability Reporting

Environmental and sustainability.

Clean water and sanitation: Learning to avoid wasting water.

Climate action: Acting now to stop global warming.

Life below water: Avoiding the use of plastic bags to keep nearby rivers clean.

Life on land: Planting trees to help protect the environment.

Social Capital

Employees are encouraged and supported to continually build on their skills and knowledge. The hospital invests in learning and development program for employees. These include courses on leadership, management and technical competencies relevant to each employee.

Market place practices

a) Responsible Supply chain and supplier relations

It is the policy of the hospital to pay suppliers on First in First out (FIFO) basis. This has enhanced good relationship with our suppliers who are ever ready to deliver goods on credit to easily.

X. Report of the Board of Management

There was no board during the year.

XI. Responsibilities of Chief Officer Department of Health Services

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

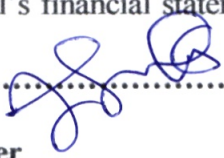
The Chief Officer Department of Health Services is responsible for the preparation and presentation of Sigowet hospital's financial statements, which give a true and fair view of the state of affairs of the Sigowet Hospital for and as at the end of the financial year (period) ended on June 30, 2022.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

The Chief Officer accepts responsibility for Sigowet 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 Chief Officer are of the opinion that Sigowet 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 Sigowet hospital's financial position as at that date. The Chief Officer Department of Health Services further confirm the completeness of the accounting records maintained for Sigowet hospital, which have been relied upon in the preparation of Sigowet hospital's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Chief Officer Department of Health Services to indicate that Sigowet 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 on 11/07/2023 and signed on its behalf by:

.....
Name: 
Chief Officer
Department of Health Services

.....
Name: 
Medical Superintendent

REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON SIGOWET SUB-COUNTY LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2022 - COUNTY GOVERNMENT OF KERICHO

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Sigowet Sub-County Level 4 Hospital as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, Health Act, 2017 and County Governments Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

The annual report and financial statements prepared and presented for audit had the followings errors;

- i. The financial performance report under Management Discussion and Analysis section reflects revenue generated during the year to fund hospital expenditure amounting to Kshs.40,711,317 while the statement of financial performance reflects total expenditure of Kshs.227,060,226. The resultant variance of Kshs.186,348,909 was not explained.
- ii. The statement of cash flows reflects negative refund on deposits balance of Kshs.612,871 in respect of patient admission deposits. However, the amount was not reflected as an inflow and was not disclosed as a current liability in the statement of financial position.
- iii. The statement of financial position reflects receivables from exchange transactions and inventories balance of Kshs.290,200 and Kshs.48,525, respectively as disclosed in Note 13 and 14 to the financial statements. However, the working capital adjustments was taken into account in the statement of cash flows as part of the investing activities.

- iv. The statement of cash flows reflects a balance of Kshs.32,472 as cash and cash equivalents as at 01 July, 2021. However, the balance was not supported by either a certificate of bank balance, bank reconciliation statement or a cash survey report.
- v. Cash generated from operations as disclosed in Note 19 to the financial statements did not reflect working capital adjustments in respect of receivables from exchange transactions and inventories balance of Kshs.290,200 and Kshs.48,525 respectively.
- vi. Management did not provide for audit review a trial balance that supports the reported amounts and balances in the financial statements.

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

2. Unsupported In-Kind Contribution from County Government

The statement of financial performance reflects in-kind contribution from County Government amount of Kshs.198,362,412 as disclosed in Note 5 to the financial statements. Included in the amount is Kshs.189,616,211 paid by the County Government in respect of salaries and wages on behalf of the hospital.

However, the balance was supported by a payroll for one (1) month amounting to Kshs.15,801,35 multiplied by twelve (12) months to get a total of kshs 189,616,211 instead of individual payroll per month. In addition, the payroll only disclosed gross pay omitting basic salary, allowances and deductions. Further, the payroll did not capture data for forty-one (41) staff who were included in the hospital staff list provided for audit review.

In the circumstances, the accuracy and completeness of in-kind contribution from the County Government amounting to Kshs.198,362,412 could not be confirmed.

3. Unsupported Revenue from Rendering Services

The statement financial performance reflects rendering of services - medical income amount of Kshs.32,567,079 as disclosed in Note 6 to the financial statements. However, the amount was not supported by detailed schedules indicating the collections from all the revenue streams.

In the circumstances, the accuracy and completeness of revenue from rendering services amounting to Kshs.32,567,079 could not be confirmed.

4. Unexplained Variance in National Hospital Insurance Fund (NHIF) Services Income

The statement of financial performance reflects rendering of medical services income amount of Kshs.32,567,079 which includes NHIF services amount of Kshs.21,223,971 as disclosed in Note 6 to the financial statements. However, review of records revealed that the Hospital was paid claims amounting to Kshs.19,141,883 by NHIF resulting to an unexplained variance of Kshs.2,082,088.

In the circumstances, the accuracy and completeness of revenue from NHIF services amounting to Kshs.21,223,971 could not be confirmed.

5. Inaccuracies in the Property, Plant and Equipment

The statement of financial position reflects a balance of Kshs.1,991,302 in respect of property, plant and equipment as disclosed in Note 15 to the financial statements. However, the balance represents additions during the year excluding the historical costs of existing assets. In addition, an asset register and purchase documents for the plant and equipment were not provided for audit review. Further, Note 4(e) to the summary of significant accounting policies states that, "all property, plant and equipment are stated at cost less accumulated depreciation and impairment losses". However, the adopted depreciation rate for the various classes were not disclosed. In addition, during the year no depreciation was charged and the net book values were the same as the cost of the assets.

In the circumstances, the valuation, accuracy, ownership and existence of property, plant and equipment balance of Kshs.1,991,302 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Sigowet Sub-County Level 4 Hospital Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing 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 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 THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Lack of Hospital Management Board

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

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

2. Delayed Disbursements of Funds

Analysis of the cashbook and bank statements revealed that the hospital remitted own generated revenue to County Revenue Fund account for the twelve (12) months of July, 2021 to June, 2022 amounting to Kshs.25,738,417. However, an amount of Kshs.15,770,872 was given back to the Hospital as part of the authority to incur expenditure. In addition, the Hospital was granted autonomy to make payments from the month of April, 2022, only two (2) months to the closure of the financial year. This is contrary to Regulation 83(2)(b) of the Public Finance Management (County Governments) Regulations, 2015 which stipulates that sound cash management includes ensuring payments, including transfers to other levels of Government and County-Government entities are made when due for efficient, effective and economical programme delivery and the County Government's normal terms for the account.

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

3. Delayed Transfer of Revenue to the County Revenue Fund

The statement of financial performance reflects rendering of services - medical service income amount of Kshs.32,567,079 as disclosed in Note 6 to the financial statements. However, review of records revealed that revenues were being transferred monthly to County Revenue Fund account instead of as soon as it is collected. This is contrary to Regulation 81(2) of Public Finance and Management (County Governments)

Regulations, 2015 which requires the receivers of revenue to promptly pay the revenue received into the County Revenue Fund, as soon as possible and in any case not later than five (5) working days after receipt thereof. Further, there was no evidence to show the Hospital prepares quarterly reports not later than the 15th day after the end of the quarter.

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

4. Deficiencies in the Implementation of Universal Health Care (UHC)

Review of records and interviews revealed the following deficiencies in the implementation of the Universal Health Care program;

- i. The Hospital had forty-three (43) staff against the required seventy-five (75) staff in seven (7) positions, resulting to unexplained variance of thirty-two (32) staff.
- ii. The Hospital lacked advanced life support, six (6) functional intensive care unit beds, six (6) high dependency unit beds and at least five (5) dialysis machines required for a level 4 hospital.
- iii. The Hospital had only four (4) new born unit incubators cots instead of required five (5) cots while only four (4) new born unit cots were at the Hospital instead of five (5).

This is contrary to the First Schedule of Health Act, 2017 and 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.

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

5. Anomalies in the Implementation of the Hospital Management Information System

The statement of financial position reflects intangible asset - software balance of Kshs.1,276,000 as disclosed in Note 8 to the financial statements. Review of records revealed that the amount was in respect of supply, delivery, installation, testing, training, and commissioning of the Hospital Management Information System. However, an appointment letter for the chairperson of the tender opening committee was not provided for audit verification against Section 78(1) of the Public Procurement and Assets Disposal Act, 2015 which states that an Accounting Officer of a procuring entity shall appoint a tender opening committee specifically for the procurement in accordance with the requirements and such other requirements as may be prescribed. In addition, there was no evidence provided to confirm if the vendor trained the users on the system. Further, despite the fact that the system has all the required modules integrated into all the services offered in the hospital, it is faced with internet connectivity challenges.

In the circumstances, Management was in breach of the law and value for money on expenditure of Kshs.1,276,000 utilized on the supply, delivery, installation, testing, training, and commissioning of the Hospital Management Information System could not be confirmed.

6. Non-Provision of Procurement Documents

The statement of financial performance reflects general expenses amount of Kshs.13,230,041 which includes contracted services and refined fuel amount of Kshs.3,177,076 and Kshs.2,470,000, respectively as disclosed in Notes 10 to the financial statements. However, procurement records including tender advertisement, tender opening minutes, tender evaluation minutes, notification of award, letter of acceptance, and professional opinion were not provided for audit verification contrary to Section 68(6) of the Public Procurement and Assets Disposal Act, 2015 which states that an Accounting Officer of a procuring entity shall maintain a proper filing system with clear links between procurement and expenditure files that facilitates an audit trail.

In the circumstances, value for money on contracted services and refined fuel amounting to Kshs.3,177,076 and Kshs.2,470,000, respectively could not be confirmed. Further, Management was in breach of the law.

7. Expired Drugs and Poor Inventory Management

The statement of financial position reflects inventory balance of Kshs.48,525 as disclosed in Note 14 to the financial statements. However, examination of sampled stores records maintained revealed expired drugs of undetermined value. This was contrary to Section 140(1) of the Public Finance Management Act, 2012 which requires an Accounting Officer to be responsible for the proper custody, care and use of government inventories under their control.

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

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

REPORT ON 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 matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my

report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Lack of Risk Management Policy

During the year under review, Management had not established a risk management policy contrary to Section 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires each County Government entity to develop risk management strategies and a system of risk management to enable the County to identify and develop appropriate risk strategies in order to improve on effective and efficient management of public resources.

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

2. Weaknesses in Information and Communication Technology (ICT) Internal Control

The Hospital does not have an ICT strategic committee, ICT strategic plan, or an ICT policy. Further, the Hospital does not have a disaster recovery, business continuity plan and an offsite backup plan in case of any emergencies or disasters. In case of an occurrence of any disaster, all the information will be lost and it will not be possible to recover it. This can cause the hospital to incur heavy losses.

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

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and the Board of Management

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

In preparing the financial statements, Management is responsible for assessing the Hospital's ability to continue sustain its services, disclosing, as applicable, matters related

to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Hospital or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015. In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be materials 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 control 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 scepticism 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 the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Hospital to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Hospital to express an opinion on the financial statements.
- Perform such other procedures, as I consider necessary in the circumstances.

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

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



CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

12 October, 2023

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

Description	Notes	2021/22 Kshs
Assets		
Current assets		
Cash and cash equivalents	12	27,649.97
Receivables from exchange transactions	13	290,200.00
Inventories	14	48,525.00
Total Current Assets		366,374.97
Non-current assets		
Property, plant, and equipment	15	1,991,302.00
Intangible Assets	16	1,276,000.00
Total Non-current Assets		3,267,302.00
Total assets		3,633,676.97
Liabilities		
Current liabilities		
Trade and other payables	17	-
Refundable deposits from customers/Patients	18	-
Total Current Liabilities		
Non-current liabilities		-
Total Liabilities		-
Net assets		3,633,676.97
Accumulated surplus/Deficit		3,633,676.97
Capital Fund		-
Total Net Assets and Liabilities		3,633,676.97

(The notes set out on pages 6 to 30 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 11/07/2023 and signed on its behalf by:

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.....
.....
Chief Officer

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.....
Head of Finance

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.....
Medical Superintendent

**Department of Health
Services**

ICPAK No:31191

Sigowet Sub-County Hospital (Kericho county Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

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


	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2020	-	-	-	-
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	-	-	-
Capital/Development grants	-	-	-	-
As at June 30, 2021	-	-	-	-
At July 1, 2021	-	-	-	-
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	3,633,676.97	-	3,633,676.97
Capital Fund	-	-	-	-
At June 30, 2022	-	3,633,676.97	-	3,633,676.97

(The notes set out on pages 6 to 30 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 11/07/2023 and signed on its behalf by:

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Chief Officer
Department of Health
Services

.....


Head of Finance
 ICPAK No:31191

.....


Medical Superintendent

Sigowet Sub-County Hospital (Kericho county Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

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

Description	No te	2021/22
		Kshs
Cash flows from operating activities		
Receipts		
Rendering of services- Medical Service Income	6	32,567,079.00
AIE Funding		-
In-kind contribution	5	198,362,412.77
Total Receipts		230,929,491.77
Payments		
Medical/Clinical costs	7	22,399,031.00
Repairs and maintenance	8	1,814,943.00
Employee costs	9	189,616,210.80
General expenses	10	13,230,041.00
Medical services contracts Gains/Losses	11	235,589.00
Total Payments		227,295,814.80
Net cash flows from operating activities	17	3,633,676.97
Cash flows from investing activities		
Purchase of property, plant, equipment, & intangible assets	15	(1,991,302.00)
Intangible assets	16	(1,276,000.00)
Inventory	14	(48,525.00)
Receivables	13	290,200.00
Proceeds from the sale of property, plant, and equipment		-
Acquisition of investments		-
Net cash flows used in investing activities		(3,025,627.00)
Cash flows from financing activities		
Proceeds from borrowings		-
Repayment of borrowings		-
Refunds on deposits	19	(612,871.97)
Net cash flows used in financing activities		(612,871.97)
Net increase/(decrease) in cash and cash equivalents		(4,822.00)
Cash and cash equivalents at 1 July 2021	12	32,471.97
Cash and cash equivalents at 30 June 2022	12	27,649.97

The notes set out on pages 6 to 30 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 11/07/2022 and signed on its behalf by:

.....
Chief Officer
Department of Health Services

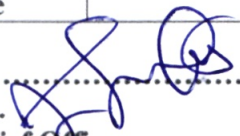
.....
Head of Finance
ICPAK No:31191

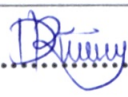
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Medical Superintendent

Sigowet Sub-County Hospital (Kericho county Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Transfers from the County Government	-	-	-	-	-	-
In-kind contribution	198,362,412.77	-	198,362,412.77	189,616,210.80	8,746,210.97	
95.6% Rendering of services- Medical Service Income	33,762,800.00	-	33,762,800.00	32,567,079.00	1,195,721.00	96.26%
Total income	232,125,212.77	-	232,125,212.77	222,183,289.80	9,941,931.97	95.72%
Expenses						
Medical/Clinical costs	14,810,000.00	-	14,810,000.00	22,399,031.00	(7,589,031.00)	151.24%
Employee costs	189,616,210.80	-	189,616,210.80	189,616,210.80	(186,670,210,80)	100%
Repairs and maintenance	4,400,000.00	-	4,400,000.00	1,814,943.00	2,585,057.00	41.25%
Transfer to county Government	-	-	-	-	-	-
General expenses	13,762,125.00	-	13,762,125.00	13,230,041.00	532,084.00	96.13%
Finance costs	-	-	-	-	-	-
Total Expenses	222,588,335.80	-	222,588,335.80	227,060,225.80	(191,142,100.80)	
Surplus for the period	-	-	-	4,876,936.00	-	-
Capital expenditure	-	-	-	4,876,936.00	-	99.50%

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 Chief Officer
 Department of Health
 Services

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 Head of Finance
 ICPAK No:31191

.....

 Medical Superintendent

XVIII. Notes To the Financial Statements

1. General Information

Sub-county Hospital is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is Provision of health services to public.

2. Statement Of Compliance and Basis of Preparation

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

The financial statements have been prepared in accordance with the PFM Act, and *(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 Entity’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 an Entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<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 Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ol style="list-style-type: none"> (a) The nature of such social benefits provided by the Entity; (b) The key features of the operation of those social benefit schemes; and

Sigowet Sub-County Hospital (Kericho county Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

	<p>(c) The impact of such social benefits provided on the Entity’s financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<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>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <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>IPSAS 43</p>	<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</p>

Sigowet Sub-County Hospital (Kericho county Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

	<p>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>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1st January 2025</i></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>

4. Summary Of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

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

Revenue from exchange transactions

Rendering of services

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

Sale of goods

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

Interest income

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

Dividends

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

Rental income

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

b) Budget information

The original budget for FY 2021/22 was approved by Chief Officer Health Service. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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

c) Taxes

Sales tax/ Value Added Tax

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

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

d) Investment property

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

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

e) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

f) Leases

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

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

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

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

g) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and

expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite

h) Research and development costs

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

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

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

i) Financial instruments

Financial assets

Initial recognition and measurement

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

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

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

i) Inventories

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

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

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

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

j) Provisions

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

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

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

Contingent liabilities

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

Contingent assets

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

k) Nature and purpose of reserves

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

l) Changes in accounting policies and estimates

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

m) Employee benefits

Retirement benefit plans

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

on a proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

n) Foreign currency transactions

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

o) Borrowing costs

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

p) Related parties

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

q) Service concession arrangements

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

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.

s) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available.

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.

5.In Kind Contributions from The County Government

Description	2021/22 KShs
Salaries and wages	189,616,210.80
IFMIS payments	8,746,201.97
Medical supplies-Drawings Rights (KEMSA)	-
Utility bills	-
Total grants in kind	198,362,412.77

(These include payments made directly by the County Governments for staff salaries and medical drugs. These should be recorded both as income and expense for completeness of financial statements)

6. Rendering of Services-Medical Service Income

Description	2021/22 KShs
Orthopedic & Trauma	250,000.00
Imaging	960,000.00
In-Patient - Beds	780,000.00
Laboratory	1,820,550.00
Mortuary	400,750.00
Non- pharmaceuticals	1,850,500.00
Nursing Care	380,200.00
Laundry	105,250.00
Injection	8,550.00
Plasta Services	-
Catering services	498,450.00
Ambulance services	35,500.00
Casualty Services	210,950.00
Nutrition service	-
Out-patient injection & Dressing	80,600.00
Dental services	75,030.00
Medical Examination Services	-
Oxygen	145,600.00
Nebulization	15,350.00
Mental Health services	-
Rehabilitative services	-
Revolving Drug Fund	1,924,928.00
Record Services	950,850.00
Theatre services	850,050.00
NHIF Services	21,223,971.00
Revenue related to 30 th June 2021	-
Total revenue from the rendering of services	32,567,079.00

7. Medical/ Clinical Costs

Description	2021/22 KShs
Laboratory chemicals and reagents	2,797,082.00
Uniform, clothing, and linen	-
Dressing and Non-Pharmaceuticals	8,137,270.00
Pharmaceutical supplies	10,580,483.00
Sanitary and cleansing Materials	-
Purchase of Medical gases	353,926.00
X-Ray/Radiology supplies	530,270.00
Total medical/ clinical costs	22,399,031.00

8. Repairs And Maintenance

Description	2021/22 KShs
Property- Buildings	-
Medical equipment	1,814,943.00
Computers and accessories	-
Total repairs and maintenance	1,814,943.00

9. EMPLOYEE COSTS

	2021-2022 KShs
Salaries and wages	189,616,210.80
Contributions to pensions and medical aids	-
Travel, motor car, accommodation, subsistence and other allowances	-
Housing benefits and allowances	-
Overtime payments	-
Performance and other bonuses	-
Staff medical expenses	-
Social contributions	-
Employee costs	189,616,210.80

10. General Expenses

Description	2021/22 KShs
Advertising and publicity expenses	-
Food and ration	3,192,606.00
Bank charges	12,180.00
Consultancy fees	-
Contracted services	3,177,076.00
Electricity expenses	862,158.00
Travel and accommodation allowance	-
Hire charges	561,000.00
Electricals/Hardware	1,255,337.00
Courier and postal services	-
Printing and stationery	545,284.00
Refined fuel	2,470,000.00
Other Fuels(wood & Charcoal)	470,000.00
Water and sewerage costs	-
Telephone and mobile phone services	30,000.00
Internet expenses	-
Staff training and development	654,400.00
Total General Expenses	13,230,041.00

11. Medical Services Contracts Gains /Losses

Description	2021/22 KShs
Comprehensive care contracts with NHIF	-
Non- Comprehensive contracts care with NHIF	-
Linda Mama Program	-
Waivers and Exemptions	235,589.00
Total Gain/Loss	235,589.00

12. Cash And Cash Equivalents

Description	2021/22 KShs
Current accounts	27,649.97
On - call deposits	-
Fixed deposits accounts	-
Cash in hand	-
Total cash and cash equivalents	27,649.97

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

Description		2021/22
Financial institution	Account number	KShs
a) Current account		
Kenya Commercial bank	1152768719	27,649.97
Sub- total		
Grand total		27,649.97

13. Receivables From Exchange Transactions

Description	2021/22
	KShs
Medical services receivables	290,200.00
Less: impairment allowance	-
Total receivables	290,200.00

14. Inventories

Description	2021/22
	KShs
Pharmaceutical supplies	-
Maintenance supplies	-
Linen and clothing supplies	-
Cleaning materials supplies	-
General supplies	48,525.00
Less: provision for impairment of stocks	-
Total	48,525.00

*Sigowet Sub-County Hospital (Kericho county Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022*

15. Property, Plant and Equipment

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
	Shs		Shs	Shs	Shs	Shs	Shs	Shs
Cost								
At 1 July 2020	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-
At 30th June 2021	-	-	-	-	-	-	-	-
At 1 st July 2021	-	-	-	-	-	-	-	-
Additions	-	-	-	-	850,343.00	1,140,959.00	-	1,991,302.00
Disposals	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-
At 30th June 2022	-	-	-	-	850,343.00	1,140,959.00	-	1,991,302.00
Depreciation and impairment								
At 1 July 2020	-	-	-	-	-	-	-	-
Depreciation for the year	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
At 30 June 2021	-	-	-	-	-	-	-	-
At July 2021	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
Transfer/adjust	-	-	-	-	-	-	-	-

**Sigowet Sub-County Hospital (Kericho county Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022**

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
ment								
At 30th June 2022	-	-	-	-	-	-		
Net book values								
At 30 th June 2021	-	-	-	-	-	-	-	-
At 30 th June 2022	-	-	-	-	850,343,00	1,140,959.00		1,991,302.00

16. INTANGIBLE ASSETS-SOFTWARE

Description	2021/22 KShs
Cost	
At beginning of the year	-
Additions	1,276,000.00
Additions-internal development	-
At end of the year	-
Amortization and impairment	
At beginning of the year	-
Amortization	-
Impairment loss	-
At end of the year	1,276,000.00
NBV	1,276,000.00

17. Trade And Other Payables

Description	2021/22 KShs
Trade payables	-
Total trade and other payables	-

18. Refundable Deposits from Customers/Patients

Description	2021/22 KShs
Admission deposit	612,871,97
Credit facility deposit	-
Rent deposits	-
Others (<i>specify</i>)	-
Total deposits	612,871,97

19. Cash Generated from Operations

Description	2021/22 KShs
Surplus for the year before tax	3,633,676.97
Adjusted for:	
Waivers	235,589.00
Transfers to county not yet funded	-
Amount remitted for salary payments	-
Impairment	-
Gains and losses on disposal of assets	-
Contribution to provisions	-

Sigowet Sub-County Hospital (Kericho county Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

Contribution to impairment allowance	-
Working Capital adjustments	
Increase in inventory	-
Increase in receivables	-
Increase in deferred income	-
Increase in payables	-
Increase in payments received in advance	-
Net cash flow from operating activities	3,869,265.97

20. Financial Risk Management

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

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

(i) Credit risk

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2021				
Receivables from exchange transactions	-	-	-	-
Receivables from –non-exchange	-	-		

*Sigowet Sub-County Hospital (Kericho county Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022*

transactions			-	-
Bank balances	32,471.97.00	32,471.97	-	-
Total	32,471.97.00	32,471.97.00	-	-
At 30 June 2022				
Receivables from exchange transactions	290,200.00	290,200.00	-	-
Receivables from –non-exchange transactions	-	-	-	-
Bank balances	27,649.97	27,649.97	-	-
Total	371,849.97	317,849.97	-	-

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

(ii) Liquidity risk management

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

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

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

*Sigowet Sub-County Hospital (Kericho county Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022*

Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

(iii) Market risk

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

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

Interest rate risk

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

Management of interest rate risk

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

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:

Sigowet Sub-County Hospital (Kericho county Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

	2021/22
	Kshs
Revaluation reserve	-
Retained earnings	-
Capital reserve	-
Total funds	-
Total borrowings	-
Less: cash and bank balances	(27,649.97)
Net debt/ (<i>excess cash and cash equivalents</i>)	-
Gearing	00%

21. Events After the Reporting Period

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

22. Ultimate And Holding Entity

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

23. Currency

The financial statements are presented in Kenya Shillings (KES).