

REPUBLIC OF KENYA



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REPORT

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THE AUDITOR-GENERAL

ON

CHEPTALAL LEVEL 3B HOSPITAL

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

COUNTY GOVERNMENT OF BOMET



**CHEPTALAL LEVEL 3B HOSPITAL
(Bomet County Government)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2024

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

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1. Acronyms & Glossary of Terms

Provide a list of all acronyms and glossary of terms used in the preparation of this report e.g.

CSR	Corporate Social Responsibility
OSHA	Occupational Health & Safety Act
PFMA	Public Financial Management Act
MED SUP	Medical Superintendent
Fiduciary Management	Key management personnel who have financial responsibility in the hospital.

(This list is an indication of the common acronyms and glossary of terms; the hospital should include all from the annual report and financial statements prepared)

2. Key Hospital Information and Management

(a) Background information

Cheptal Sub County Hospital is a level (3B) 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 registered as **GK- 011024B** with KMPDC Licence number **621583**. The hospital is governed by a Hospital Board of Management.

(b) Principal Activities

The principal activity/mission/ mandate of the hospital is to be the best public hospital in Bomet for the provision of affordable quality care.

(c) Key Management

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

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

(d) Fiduciary Management

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

No.	Designation	Name
1.	Medical Superintendent	Dr Stephen Omondi
2.	Head of Clinical Services	Dr. Dominic Kiprono
3.	Head of finance	Ngeno Peter
4.	Head of supply chain	Beatrice Chemutai
5.	Health Administrative Officer	Kipronoh Sang
6.	Nursing Officer In Charge	Richard Kilel
7.	Pharmacy In Charge	Zeddy Chemutai
8.	Biomedical Engineering in Charge	Chebet Korir
9.	Laboratory in Charge	Kelvin Moi
10.	Nutrition and Dietetics in Charge	Zaddock Cheruiyot
11.	Health Records, Information and statistics in charge	Cosmas Maritim
12.	Dental Services in Charge	Cherono Ngeno
13.	Eye Services	Benard Cheruiyot

Cheptalal level 3B Hospital (Bomet County Government)
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No.	Designation	Name
14.	Radiology	Ronald Rono
15.	Public Health	Mandela Rono
16.	ICT	Caroline Chepkemoi

(e) Fiduciary Oversight Arrangements

- Clinical Research and Standards Committee.
- Audit committee
- Risk Committee
- County Assembly
- Parliamentary committees
- Other oversight committees

Key Hospital Information and Management (continued)

(f) Hospital Headquarters

P.O. Box 12 - 20403
 Taboino Village
 Koiwa-Sotit – Embomos 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 (K) Ltd

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

(k) County Attorney

P.O.Box. 19
Bomet, Kenya

3. The Board of Management

Ref	Directors	Details
1.	Stephen Sitonik Chairman, HMB	Retired Senior Lecturer, Holder Bachelor of Education – Arts, Member of Land control Board Konoin, former Director and Chair Tililbei and Chemosit Water Companies respectively and member of several other public institution
2.	Dr. Stephen Omondi Secretary, HMB	KMPDC member, Pharmacist and Secretary HMB
3.	Sarah Ngeno	Member HMB, Chair Quality of Health Services and Executive Committee, retired health Staff.
4.	Robert Maritim	Chair Finance and Audit, Member HMB and Executive Committee
5.	Rose Chepngetich Chepkwony	Member HMB and Chair Quality of Health Services Committee
6.	Robert Kimutai Cheruiyot	Member HMB and development and Resource Mobilization Committee
7.	Rev. Edward Kilel	Member HMB and Finance and Audit Committee
8.	Joyce Cherotich	Member HMB and development and Resource Mobilization Committee
9.	Daniel Kiprotich Ruto	Member HMB and Chair Development and Resource Mobilization Committee
10.	Beatrice Chepkoech Langat	Member HMB and Finance and Audit Committee

Cheptalal level 3B Hospital (Bomet County Government)
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11.	Johana Kipkirui Rotich	Member HMB and Quality of Health Services Committee
12.	Kiprono Victor Sang	Member HMB and Executive committee

4. Key Management Team

Ref	Management	Details
1.	Dr. Stephen Omondi MBChB	Team Leader, Chair Health Management Team Head of clinical and administrative services and secretary to the Hospital Management Board, Member KMPDB.
2.	Kiprono Sang Victor	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.	Richard Kilel	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 Member of pharmacy and poisons board and member HMT
8.	Chebet Korir	Head of Biomedical engineering and member HMT
9.	Kelvin Moi	Head of laboratory and member of HMT
10.	Zaddock Cheruiyot	Head of Nutrition and Dietetics and member HMT
11.	Cherono Ngeno	Head of Dental Services and member HMT
12.	Benard Cheruiyot	Head of eye services and member HMT
13.	Ronald Rono	Head of Radiology and member HMT
14.	Mandela Rono	Head of Public Health and member HMT
15.	Caroline Chepkemoi	Head of ICT and member HMT

5. Chairman's Statement

Introduction

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.

.....
Name STEPHEN SITORIK
Chairman to the Board

6. Report of The Medical Superintendent

The general outlay of the hospital with regard to the performance of the financial year 2023/24 has been fair.

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



.....
Name *Dr Stephen Omondi*
Secretary to the Board

7. Statement of Performance Against Predetermined Objectives

Cheptalal Hospital develops its annual work plans based on laid down 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 2023/2024 period for its strategic pillars.

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 X strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY xx- FY xx. These strategic pillars/ themes/ issues are as follows:

Pillar /theme/issue 1:

Pillar/theme/issue 2:

XXX develops its annual work plans based on the above X 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 2023/2024 period for its xx 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)

8. Corporate Governance Statement

The hospital is yet to be declared as a 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.

(Under this section, include the number of Board meetings held and the attendance to those meetings by members, succession plan, existence of a Board charter, process of appointment and removal of Board members, roles and functions of the Board, induction, and training, Board and member performance, conflict of interest, board remuneration, ethics, and conduct as well as governance audit.)

9. Management Discussion and Analysis

(Under this section, the management gives a report on the operational and financial performance of the organisation during the period, hospital's key projects or investments decision implemented or ongoing, hospital's compliance with statutory requirements, major risks facing the organisation, material arrears in statutory and other financial obligations, and any other information considered relevant to the users of the financial statements.)

The management should make use of tables, graphs, pie charts and other descriptive tools to make the information as understandable as possible. The information should show a trend for the last three years.

Some of the details to be included under this section are;

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: -

- *Revenue sources,*
- *Utilisation of funds etc(The management discussion and analysis should be signed by the Chief Executive Officer/Medical Superintendent)*
- **Environmental And Sustainability Reporting**

i) Sustainability strategy and profile

Include an Introductory paragraph on the main mandate of the organization and its strategy on sustainability. Sustainability being the ability to maintain or continue offering services to the citizens of the country over the long- term. The top management especially the accounting officer should refer 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

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.

iii) 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.)

iv) 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.

v) 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.

10. Report of The Board of Management

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

Principal activities

The principal activities of the hospital are curative, preventive, promotive and rehabilitative health services within Konoin Sub County

Results

The results of the hospital for the year ended June 30 2024 are set out on pages 1 to 4

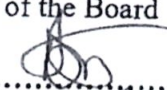
Board of Management

The members of the Board who served during the year are shown on page vi and were appointed with effect from ----- date.

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.

By Order of the Board


.....
Name *Dr. Stephen Omondi*

Secretary to the Board

11. Statement of Board of Management's Responsibilities

Section 164 of the Public Finance Management Act, 2012 requires the Board of Management to prepare financial statements in respect of Cheptal Sub County Hospital, which give a true and fair view of the state of affairs of the Hospital at the end of the financial year and the operating results of the Hospital for that year. 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 ended on June 30, 2024. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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, 2024, 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.

In preparing the financial statements, the Directors have assessed the Fund's ability to continue as a going concern.

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

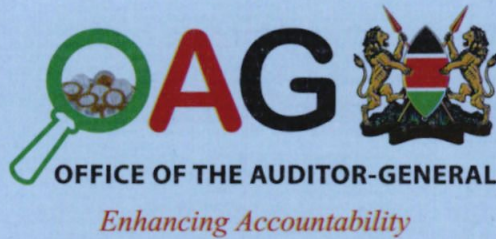
The Hospital's financial statements were approved by the Board on _____ and signed on its behalf by:

.....
Name: *Stephen Stonk*
Chairperson
Board of Management

.....
Name: *W. Stephen Onendo*
Accounting Officer

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON CHEPTALAL LEVEL 3B HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2024 – COUNTY GOVERNMENT OF BOMET

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Cheptalal Level 3B Hospital-County Government of Bomet set out on pages 1 to 26, which comprise of the statement of financial position as at 30 June, 2024, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report the financial statements present fairly, in all material respects, the financial position of Cheptalal Level 3B Hospital – County Government of Bomet as at 30 June, 2024, and of its financial performance and its cash flows for the period then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and complies with the Health Act, 2017 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in Comparative Balance

The financial statements reflect comparative amounts which differs with the prior year audited financial statements as shown below:

Particulars	Financial Statements for 2023/2024 amount (Kshs)	Prior year audited financial statement amount (Kshs)	Variance (Kshs)
Net surplus/Deficit for the year	-	408,966	(408,966)
Accumulated Surplus/deficit	408,966	624,969	(216,003)
Capital Fund	88,325,217	-	88,325,217
Notes to the Financial Statements			
Employee costs-Note No.10	2,546,656	2,697,795	151,139
Repairs and Maintenance-Note 13	1,256,759	2,243,639	(986,880)
Grants and subsidies Note 14	6,208,073	2,929,861	3,278,212

Report of the Auditor-General on Cheptalal Level 3B Hospital - County Government of Bomet for the year ended 30 June, 2024

Particulars	Financial Statements for 2023/2024 amount (Kshs)	Prior year audited financial statement amount (Kshs)	Variance (Kshs)
General Expenses- Note 15	1,453,245	1,415,445	37,800
Cash and Cash Equivalents Note 17	81,690	82,691	(1,001)
Receivables from Exchange Transactions-Note 18	-	1,322,150	(1,322,150)
Property, Plant and Equipment-Note 21	69,528,084	87,193,210	(17,665,126)
Trade and other payables	-	2,718,558	(2,718,558)

In the circumstances, the accuracy of comparative figures could not be confirmed.

2. Inaccuracy of Transfers from the County Government

The statement of financial performance reflects transfers from the County Government amounting to Kshs.13,877,250 as disclosed in Note 6 to the financial statements. However, from County Executive of Bomet financial statements transfers to the Hospital amounted to Kshs.9,929,500 leading to an explained variance of Kshs.3,947,750. Further the supporting schedules in relation to the transfers were not provided for audit review.

In the circumstances, the accuracy and completeness of transfers from County Government of Bomet amounting to Kshs.13,877,250 could not be confirmed.

3. Unsupported In-Kind Contributions from the County Government

The statement of financial performance reflects in-kind contributions from the County Government amounting to Kshs.8,568,120 as further disclosed in Note 7 to the financial statements. However, the ledger and schedules in support of the contributions were not provided.

In the circumstances, the accuracy and completeness of in-kind contributions from the County Government amounting to Kshs.8,568,120 could not be confirmed.

4. Inaccuracy of Rendering Services – Medical Service Income

The statement of financial performance reflects rendering services - medical services income amounting to Kshs.3,050,976. The amount includes revenue from National Health Insurance Fund (NHIF) totalling Kshs.2,490,300 as disclosed in Note 8 to the financial

statements. However, the NHIF revenue differs with the supporting schedule amount of Kshs.1,303,786 resulting to an unexplained variance of Kshs.1,186,514.

Further, the rendering services - medical services income includes revenue generated through a Mobile Money paybill totalling Kshs.560,676. However, review of revenue records revealed revenue on rendering services (medical services income) through MPESA paybill amounting to Kshs.595,500 resulting to an unexplained variance of Kshs.34,824.

In the circumstances, the accuracy and completeness of rendering services- medical services income amounting to Kshs.3,050,976 could not be confirmed.

5. Unsupported Grants and Subsidies

The statement of financial performance reflects grants and subsidies amounting to Kshs.3,554,996. The amount includes grants to Kitale Community Dispensary amounting to Kshs.504,000 as disclosed in Note 14 to the financial statements. However, expenditure returns in support of the utilization of the funds was not provided for audit review.

In the circumstances, the accuracy and propriety of grants to Kitale Community Dispensary amounting to Kshs.504,000 could not be confirmed.

6. Inaccuracy of Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions totalling Kshs.2,691,020 as further disclosed in Note 18 to the financial statements. However, the amount differs with the supporting schedules totalling Kshs.2,490,300 resulting to an unexplained variance of Kshs.200,720.

In the circumstances, the accuracy and completeness of receivables from exchange transactions totalling Kshs.2,691,020 could not be confirmed.

7. Inaccuracy of Property, Plant and Equipment

The statement of financial position reflects property, plant, and equipment totalling Kshs.67,505,900. The amount is net of depreciation charge for the year amounting to Kshs.3,760,611 as disclosed in Note 21 to the financial statements. However, the depreciation policy has not been disclosed in the financial statements.

Further, property, plant and equipment balance include land amounting to Kshs.6,883,333 as disclosed in Note 21 to the financial statements. The land amount includes impairment gain amounting to Kshs.1,738, 333 which was not supported by a valuation report. The title deed for the land was also not provided for audit review.

In the circumstances, the accuracy, completeness and valuation of the property, plant and equipment totalling Kshs.67,505,900 could not be confirmed.

8. Inaccuracy of Trade and Other Payables

The statements of financial position reflects trade and other payables totalling Kshs.6,607,873 as further disclosed in Note 22 to the financial statements. However, the amount differs with the supporting schedules and ledgers balance amounting to Kshs.5,819,046 resulting in an unexplained variance of Kshs.788,827.

Further, the statement reflects total liabilities amounting to Kshs.6,668,973. However, the amount differs with the recomputed total liabilities amounting to Kshs.6,607,873 resulting to an unexplained variance of Kshs.61,100.

In the circumstances, the accuracy of trade and other payables totalling Kshs.6,607,873 could not be confirmed.

The audit was conducted in accordance with International Standards of 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 qualified opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total revenue budget and actual on comparable basis amounting to Kshs.28,896,000 and Kshs.25,496,346 respectively, resulting in budget under-funding of Kshs.3,399,654 or (12%) of the budget. Similarly, the statement reflects total expenditure of Kshs.23,693,761 resulting in under expenditure of Kshs.5,202,209 or (18 %) of the budget.

The under realization and under absorption of the budget may impact negatively on service delivery the residents of Bomet County.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several paragraphs were raised under the report on financial statements, and report on Lawfulness and Effectiveness in Use of Public Resources which remained unresolved. However, the Management has not given any explanation for failure to resolve the issues.

Other Information

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Unbalanced Budget

The statement reflects final total income and expenses budget amounting to Kshs.28,896,000 and Kshs.26,144,000 resulting in unbalanced budget amounting to Kshs.2,752,000. This was contrary to Regulation 31(c) of the Public Finance

Management (County Governments) Regulations, 2015 which requires budget revenue and expenditure appropriations to be balanced. In addition, the statement reflects total expenses and surplus for the year.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Lack of Risk Management Policy

Review of records provided for audit review revealed that Management had not established a Risk Management Policy. This was contrary to Regulation 158(1) (a) (b) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall ensure that the county government entity develops risk management strategies, which include fraud prevention mechanism and a system of risk management and internal control that builds robust business operations.

In the circumstances, the safety of the Hospital's assets and data could not be confirmed.

2. Lack of Internal Audit Function and Audit Committee

Review of the Hospital's records revealed that the Board of Management did not constitute an Audit Committee contrary to Regulation 167 (1) Public Finance Management (County Governments) Regulations, 2015 which provides that subject to paragraph (2) of this regulation, each county government entity shall establish an audit committee.

Further, the Hospital operated without an Internal Audit Unit. This was contrary to Section 155 (1) (a) of the Public Finance Management Act, 2012 which states that a county government entity shall ensure that it complies with this Act and has appropriate

arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board.

In the circumstances, effectiveness of the Hospital's internal control framework could not be confirmed.

3. Lack of Information Communication Technology Policy Procedures and Controls

Review of the Health's Information Communication Technology (ICT) systems revealed that the Hospital maintains its entire financial data on Microsoft Excel application on a standalone computer assigned to the finance officer and in manual form. However, the Hospital did not have an approved ICT policy for governance and management of its ICT resources. In addition, there was no ICT steering committee in place to assist in the development of an ICT policy framework to enable the Hospital to realize long-term ICT strategic goals. Lack of an approved IT policy may result in an unclear direction regarding the maintenance of information security across the organization and safeguarding the Hospital's ICT assets. Further, without a sound and approved framework, users do not have any rules and procedures to follow in order to minimize the risk of errors, fraud, and the loss of data confidentiality, integrity and availability.

In the circumstances, existence of effective ICT controls in the facility could not be confirmed.

The audit was conducted in accordance with ISSAI 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 Management and those Charged with Governance.

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 controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Hospital's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

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

Those charged with governance are responsible for overseeing the Hospital'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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

31 December, 2024

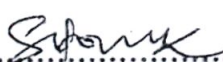
Cheptalal Level 3B Hospital (Bomet County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2024

13. Statement of Financial Performance for The Year Ended 30th June 2024

Description	Note	FY 2023-2024	FY 2022-2023
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	6	13,877,250	9,582,000
In-kind contributions from the County Government	7	8,568,120	0
		22,445,370	9,582,000
Revenue from exchange transactions			
Rendering of services- Medical Service Income	8	3,050,976	2,467,861
Revenue from exchange transactions		3,050,976	2,467,861
Total revenue		25,506,346	12,049,861
Expenses			
Medical/Clinical costs	9	11,198,228	2,304,155
Employee costs	10	2,244,633	2,697,795
Board of Management Expenses	11	150,400	50,000
Depreciation and amortization expense	12	3,760,616	0
Repairs and maintenance	13	2,971,306	2,243,639
Grants and subsidies	14	3,554,996	2,929,861
General expenses	15	3,574,198	1,415,445
Total expenses		27,454,377	11,640,895
Other gains/(losses)	16	1,738,333	
Net Surplus / (Deficit) for the year		(209,698)	

(The notes set out on pages 28 to 31 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

Cheptalal Level 3B Hospital (Bomet County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2024

14. Statement of Financial Position As At 30th June 2024


Description	Note	FY 2023-2024	FY 2022-2023
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	17	4,176	82,691
Receivables from exchange transactions	18	2,691,020	1,322,150
Receivables from non-exchange transactions	19	6,443,750	2,496,000
Inventories	20	2,127,782	1,416,816
Total Current Assets		11,266,728	5,317,657
Non-current assets			
Property, plant, and equipment	21	67,505,900	87,193,210
Total Non-current Assets		67,505,900	87,193,210
Total assets (A)		78,772,628	92,510,867
Liabilities			
Current liabilities			
Trade and other payables	22	6,607,873	3,776,684
Total Current Liabilities		6,607,873	3,776,684
Total Liabilities (B)		6,668,973	3,776,684
Net assets (A-B)		72,164,755	88,734,183
Represented by:			
Revaluation reserve		1,738,333	-
Accumulated surplus/Deficit		(209,698)	408,966
Capital Fund		70,636,120	88,325,217
		0	
Net Assets		72,164,755	88,734,183

(The notes set out on pages 28 to 56 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

Cheptalal Level 3B Hospital (Bomet County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2024

15. Statement of Changes in Net Asset for The Year Ended 30th June 2024

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2022		216,003	89,823,590	90,039,593
Revaluation gain		0	0	0
Surplus/(deficit) for the year		408,966		408,966
Capital			88,325,217	88,734,183
As at June 30, 2023		408,966	88,325,217	88,734,183
At July 1, 2023	-	408,966	88,325,217	88,734,183
Revaluation gain	1,738,333	-	-	1,783,333
Surplus/(deficit) for the year	-	-209,698	-	-209,698
Capital	-	-	70,636,120	70,636,120
At June 30, 2024	1,738,333	-209,698	70,636,120	72,164,755

Cheptalal Level 3B Hospital (Bomet County Government)
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16. Statement of Cash Flows for The Year Ended 30th June 2024

Description	Note	FY 2023-2024	FY 2022-2023
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government		9,929,500	9,852,000
Rendering of services- Medical Service Income		1,859,364	2,467,861
Opening balances		81,690.5	
Total Receipts		11,870,554.5	12,049,861
Payments			
Medical/Clinical costs		2,676,105	2,304,155
Employee costs		1,815,991	2,697,795
Board of Management Expenses		150,400	50,000
Repairs and maintenance		2,772,689	2,243,639
Grants and subsidies		2,066,691	2,929,861
General expenses		2,334,865	1,415,445
Total Payments		11,816,741	11,640,895
Net cash flows from operating activities		53,813.5	408,966
Cash flows from investing activities		0	
Purchase of property, plant, equipment		0	
Net cash flows used in investing activities		0	
Cash flows from financing activities			
Capital grants received		0	
Net cash flows used in financing activities		0	
Net increase/(decrease) in cash and cash equivalents		-77,515	
Cash and cash equivalents as at 1 July	27	81,690.50	
Cash and cash equivalents as at 30 June	27	4175.50	

(PSASB has now prescribed the direct method of cashflow presentation for all entities under the IPSAS Accrual basis of accounting).

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17. Statement of Comparison of Budget & Actual for The Year Ended 30th June 2024

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	14,352,000	0	14,352,000	13,877,250	474,750	97%
Transfers from other Government entities	12,000,00	0	12,000,00	8,568,120	3,431,880	71%
Rendering of services- Medical Service Income	2,544,000	0	2,544,000	3,050,976	-506,976	120%
Total income	28,896,000	0	28,896,000	25,496,346	3,399,654	88%
Expenses		0				
Medical/Clinical costs	14,000,000	0	14,000,000	11,198,228	2,801,772	80%
Employee costs	2,340,000	0	2,340,000	2,244,633	95,367	96%
Remuneration of directors	360,000	0	360,000	150,400	209,600	42%
Repairs and maintenance	3,200,000	0	3,200,000	2,971,306	228,694	93%
Grants and subsidies	2,544,000	0	2,544,000	3,554,996	-1,010,996	139%
General expenses	3,700,000	0	3,700,000	3,574,198	125,802	97%
Surplus for the period	26,144,000	0	26,144,000	23,693,761	3,461,235	91%
Capital expenditure				1,802,585		%

Budget notes

1. Provide an explanation of differences between actual and budgeted amounts (any over/ 90% under) IPSAS 24.14
2. Provide an explanation of changes between the original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)
3. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual) provide a reconciliation.)

:

18. Notes to the Financial Statements

1. General Information

Cheptalal Sub County hospital is established by and derives its authority and accountability from Health Act, 2017 and PFM Act, 2012. The hospital is wholly owned by the Bomet County Government and is domiciled in Bomet County in Kenya. The hospital's principal activity is curative, preventive, promotive and rehabilitative 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 18

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the hospital. The financial statements have been prepared in accordance with the PFM Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2024

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

Cheptalal Level 3B Hospital (Bomet County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2024

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of a Hospital.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<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>
IPSAS 45- Property Plant and Equipment	<p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>

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Standard	Effective date and impact:
<p>IPSAS 46 Measurement</p>	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
<p>IPSAS 47- Revenue</p>	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that a hospital shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
<p>IPSAS 48- Transfer Expenses</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
<p>IPSAS 49- Retirement Benefit Plans</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the</p>

**Cheptal Level 3B Hospital (Bomet County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2024**

Standard	Effective date and impact:
	financial statements that should be presented by a retirement benefit plan.

iii) Early adoption of standards

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

4. Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

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

ii) Revenue from exchange transactions

Rendering of services

The 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.

Cheptalal Level 3B Hospital (Bomet County Government)
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b. Budget information

The original budget for FY 2023- 2024 was approved by Board. No subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. 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 on page 1 under section 13 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. 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.

Financial assets

Classification of financial assets

The hospital classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the hospital's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless a hospital has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note 18*.

Financial liabilities

Classification

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

e. 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.

f. 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.

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

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

g. 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.

h. Related parties

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

i. 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.

j. 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

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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.

k. Comparative figures

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

l. Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2024.

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

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:

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- 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.

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6. Transfers from the County Government

Description	FY 2023-2024	FY 2022-2023
	KShs	KShs
Unconditional grants		
Level 4 Grant	13,877,250	9,582,000
Total government grants and subsidies	13,877,250	9,582,000

6 b Transfers from the County Government

Name of the Hospital sending the grant	Amount recognized to Statement of financial performance* KShs	Amount deferred of under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year		Comparative Period
				2023-2024	2022-2023	
				KShs	KShs	KShs
Bomet County Government	13,877,250	-	-	13,877,250	9,582,000	
Total	13,877,250	-	-	13,877,250	9,582,000	

7. In Kind Contributions from The County Government

Description	FY 2023-2024	FY 2022-2023
	KShs	KShs
Medical supplies-Drawings Rights (KEMSA)	2,863,871.57	
Pharmaceuticals and Non-Pharmaceutical Supplies - MEDS	363,915.55	
Utility bills – Kenya Power/ Bomet County	486,417	
Laboratory Reagents including Truenat	4,853,916	
Total grants in kind	8,568,120.12	

8. Rendering of Services-Medical Service Income

Description	FY 2023-24	FY 2022-23
	Kshs	Kshs
Revenue generated through mpesa paybill and cash	560,676	554,761
NHIF	2,490,300	1,913,100
Total revenue from the rendering of services	3,050,976	2,467,861

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9. Medical/ Clinical Costs

Description	FY 2023 - 2024	FY 2022 - 2023
	Kshs	Kshs
Dental costs/ materials	41,500	27,900
Laboratory chemicals and reagents	4,853,916	130,750
Food and Ration	1,259,305	971,650
Uniform, clothing, and linen	56,600	56,000
Dressing and Non-Pharmaceuticals	1,434,900	786,755
Pharmaceuticals supplies	3,227,787	
Health information stationery	90,000	73,000
Sanitary and cleansing Materials	234,220	258,100
Total medical/ clinical costs	11,198,228	2,304,155

10. Employee Costs

Description	FY 2023-2024	FY 2022-2023
	Kshs	Kshs
Salaries, wages, and allowances	2,244,633	2,546,656
Employee costs	2,244,633	2,546,656

(Social contribution relates to expenses incurred by the employer towards social welfare of Employees)

11. Board of Management Expenses

Description	FY 2023 - 2024	FY 2022 - 2023
	Kshs	Kshs
Sitting allowance		-
Airtime allowances		50,000
Total	150,400	50,000

12. Depreciation and Amortization Expense

Description	FY 2023 - 2024	FY 2022 - 2023
	Kshs	Kshs
Property	1,551,739	
Plant	22,500	
Equipment	2,144,982	
Furniture and Fittings	43,320	
Total depreciation and amortization	3,762,541	

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13. Repairs And Maintenance

Description	FY 2023 - 2024	FY 2022 - 2023
	Kshs	Kshs
Office equipment	42,100	
Maintenance of plant, generator, laundry	568,900	
Furniture and fittings	328,110	
Computers and accessories	19,000	
Motor vehicle expenses	1,189,500	
Maintenance of civil works	527,300	
Renovations	296,396	
Total repairs and maintenance	2,971,306	1,256,759

14. Grants And Subsidies

Description	FY 2023- 2024	FY 2022-2023
	Kshs	Kshs
Kitala Community Dispensary	504,000	420,000
Transfers to County Revenue	3,050,996	5,788,073
Total grants and subsidies	3,554,996	6,208,073

15. General Expenses

Description	FY 2023 - 2024	FY 2022 2023
	Kshs	Kshs
Catering expenses	158,700	148,700
Bank charges	20,831	5,625
Electricity expenses	486,417	49,000
Fuel and Lubricants	436,400	492,600
Travel and accommodation allowance	2,205,000	390,200
Courier and postal services	9,450	37,800
Printing and stationery	190,800	155,140
Telephone and mobile phone services	66,600	174,180
Total General Expenses	3,574,198	1,453,245

16. Gain On Fair Value of Land

Description	FY 2023-24	FY 2023-24
	KShs	KShs
Land with Building	553,333	
Land Without Building	1,185,000	
Total gain	1,738,333	

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17. Cash And Cash Equivalents

Description	FY 2023 - 2024	FY 2022 - 2023
	KShs	KShs
Current accounts	4,176	81,690.5
Total cash and cash equivalents	4,176	81,690.5

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

Description	Account number	FY 2023 - 2024	FY 2022 - 2023
		KShs	KShs
a) Current account			
Kenya Commercial bank	1108430333	584	27,938.50
Family Bank, etc	084000024564	3,592	53,752
Grand total		4,176	81,690.5

18. Receivables From Exchange Transactions

Description	FY 2023 - 2024	FY 2022 - 2023
	KShs	KShs
Medical services receivables - NHIF	2,691,020	
Total receivables	2,691,020	

Analysis of Receivables From Exchange Transactions

Description	FY 2023 - 2024		FY 2022 - 2023	
	Kshs		Kshs	
	FY23 - 24	% of the total	FY 2022-23	% of the total
Less than 1 year	2,360,300	88%		%
More than one year	330,720	12%		
Total (a+b)	2,691,020	100%		%

19. Receivables From Non-Exchange Transactions

Description	FY 2023 - 2024	FY 2022 - 2023
	KShs	KShs
Transfers from the County Government	6,443,750	2,496,000
Total	6,443,750	2,496,000

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(Undisbursed donor funds refer to funds expected where conditions for disbursements have been met by the recipient as at the reporting date)

Analysis of Receivables from Non-Exchange Transactions

Description	FY 2023 - 2024		FY 2022 - 2023	
	Kshs		Kshs	
	FY23/24	% of the total	FY 22/23	% of the total
Less than 1 year	6,443,750	100%	2,496,000	100%
Total (a+b)	6,443,750	100%	2,496,000	100%

20. Inventories

Description	FY 2023 - 2024	FY 2022 - 2023
	KShs	KShs
Pharmaceutical supplies	1,416,816	
Laboratory Reagents	455,184	
Food supplies	45,912	
Linen and clothing supplies	178,500	
Cleaning materials supplies	15,350	
General supplies	16,020	
Total	2,127,782	

21. Property, Plant and Equipment

Description	Land	Buildings and Civil works	Plant	Furniture Medical equipmen	Bio asset	Total
	Ksh	Ksh		Ksh	Ksh	Ksh
Cost						
At 1 July 2022	-					
Assesment	5,145,000	30,000,000	180,000	51,974,860	73,350	87,193,210
Depreciation and impairment						
At 30 June 23	5,145,000	46,552,174	180,000	17,577,660	73,250	69,528,084
At July 2023	5,145,000	46,552,174	180,000	17,577,660	73,250	69,528,084
Depreciation	-	1,551,739	22,500	2,186,372	-	3,760,611
Impairment/ Gain	1,738,333	-	-	-	-	1,738,333
Total						5,98,944
At 30th June 2024	6,883,333	45,000,435	157,500	15,391,282	73,350	67,505,900

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Description	Land	Buildings and Civil works	Plant	Furniture Medical equipmen	Bio asset	Total
Net book values	6,883,333	45,000,435	157,500	15,391,282	73,350	67,505,900
At 30 th Jun 2023	5,145,000	46,552,174	180,000	17,577,660	73,250	69,528,084
At 30 th Jun 2024	6,883,333	45,000,435	157,500	15,391,282	73,350	67,505,900

22. Trade and other Payables

Description	FY 2023 - 2024		FY 2022 - 2023	
	KShs		KShs	
Trade payables	5,819,046			
Employee dues	788,827			
Total trade and other payables	6,607,873			
Ageing analysis:	FY 2023 - 2024	% of the Total	FY 2022 - 2023	% of the total
Under one year	6,607,873	100%		100%
Total	6,607,873	100%		100%

23. Cash Generated from Operations

Description	FY 2023 - 2024	FY 2022 - 2023
	KShs	KShs
Surplus for the year before tax	-209,698	
Adjusted for:		
Depreciation	3,760,616	
Non-cash grants received	-8,568,120	
Impairment		
Gains on revaluation of land	-1,738,333	
Working Capital adjustments		
Increase in inventory	-710,966	
Increase in receivables	-5,316,620	
Increase in payables		
Net cash flow from operating activities	2,831,189	

(The total of this statement should tie to the cash flow section on net cash flows from/ used in operations)

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24. 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 hospital's overall risk management programme focuses on the unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The hospital does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The 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 hospital's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the hospital'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 2023				
Receivables from exchange transactions	1,322,150	1,322,150		
Receivables from –non-exchange transactions	2,496,000	2,496,000		
Bank balances	81,691	81,691		
Total	3,899,841	3,899,841		
At 30 June 2024				
Receivables from exchange transactions	2,691,020	2,691,020		
Receivables from –non-exchange transactions	6,443,750	6,443,750		
Bank balances	4,176	4,176		
Total	9,138,946	9,138,946		

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

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The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the hospital has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The hospital has significant concentration of credit risk on amounts due. The board of management sets the hospital's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023				
Trade payables	3,776,684	3,776,684		
Employee benefit obligation				
Total				
At 30 June 2024				
Trade payables	5,819,046	5,819,046		
Employee benefit obligation	788,827	788,827		
Total	6,607,873			

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

iv) Capital Risk Management

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

Description	FY 23/24	FY 22/23
	Kshs	Kshs
Revaluation reserve	1,738,333	-
Retained earnings	-209,698	408,966
Capital reserve	70,636,120	88,325,217
Total funds	72,164,755	88,734,183
Total borrowings		
Less: cash and bank balances		
Net debt/ <i>(excess cash and cash equivalents)</i>		
Gearing		

25. Events after the Reporting Period

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

26. Ultimate and Holding Hospital

The hospital is a Semi- Autonomous Government Agency under the Department of Health. Its ultimate parent is the County Government of Bomet.

27. Currency

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

19. Appendices

Appendix 1: Progress on Follow Up of Auditor Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report.
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from the final external audit report that is signed by Management.
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your hospital responsible the for implementation of each issue.
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.



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Accounting Officer