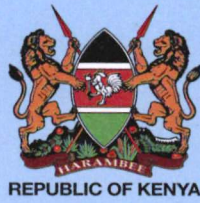


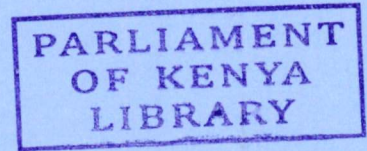
REPUBLIC OF KENYA



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REPORT

OF



THE AUDITOR-GENERAL

ON

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CHEPTALAL LEVEL 3B HOSPITAL

FOR THE YEAR ENDED  
30 JUNE, 2025

COUNTY GOVERNEMENT OF BOMET

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# **CHEPTALAL Level 3B HOSPITAL (Bomet County Government)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2025**

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**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**

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.
FIF	Facility Improvement Fund
QIC	Quality Improvement Committee
IPC	Infection Improvement Committee
MTC	Medicine Therapeutic Committee
HMT	Hospital Management Team
HMB/C	Hospital Management Board/ Committee
MPDSR	Maternal and Perinatal Death Surveillance and response
ICPAK	Institute of Certified Public Accountants of Kenya
CME	Continuous Medical Education
KMPDC	Kenya Medical Practitioners and Dentist Council
MCH	Maternal and Child Health
IPSAS	International Public Sector Accounting Standards
PWD	Persons Living With Disabilities
FY	Financial Year
MCH	Mother Child Healthcare
SDG	Sustainable Development Goals
NHIF	National Hospital Insurance Fund

NSSF	National Social Security Fund
SHA	Social Health Authority
MEDS	Mission for Essential Drugs
KEMSA	Kenya Medical Supplies Agency
PFM(A)	Public Finance Management Act
PPE	Property, Plant and Equipment
AIE	Authority to Incur Expenditure
PSK	Pharmaceuticals Society of Kenya
PPB	Pharmacy and Poison Board
CGOB	County Government of Bomet
MSc	Master of Science
SHIF	Social Health Insurance Fund
PHC	Primary Health Care
CECM	County Executive Committee Member
CPSB	County Public Service Board
CCC	Comprehensive Care Clinic
CHP	Community Health Promoter
PSASB	Public Sector Accounting Standards Board
ECL	Expected Credit Loss

**2. Key Hospital Information and Management**

**(a) Background information**

Cheptalal Sub County Hospital is a level (3B) hospital established under gazette notice no. 786, Vol.CXXII- No. 24 of 4<sup>th</sup> 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 health care.

**(c) Key Management**

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

- County department of health
- Hospital 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 30<sup>th</sup> June 2025 and who had direct fiduciary responsibility were:

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

No.	Designation	Name
14.	Radiology	<b>Ronald Rono</b>
15.	Public Health	<b>Patricia Chepkorir</b>
16.	ICT	<b>Caroline Chepkemoi</b>
17.	Maternity	<b>Paul Likwop</b>
18.	Theatre	<b>Joseph Tangu</b>

**(e) Fiduciary Oversight Arrangements**

Fiduciary oversight arrangements are mechanisms established to ensure accountability, transparency, and compliance in the management of financial and operational resources. The following committees and bodies play a critical role in safeguarding institutional integrity and promoting sound governance practices:

**1. Clinical Research and Standards Committee**

This committee is responsible for ensuring that all clinical and research activities comply with established medical, ethical, and professional standards. It reviews and approves research protocols, monitors implementation, and ensures the protection of participants' rights and welfare. The committee also promotes adherence to quality standards in clinical practice and research outcomes.

**2. Audit Committee**

The Audit Committee provides independent oversight of the institution's financial management systems. It reviews financial statements, internal control frameworks, and audit reports to ensure accuracy, transparency, and accountability. The committee also follows up on audit recommendations and ensures the implementation of corrective actions to address identified weaknesses.

**3. Risk Committee**

The Risk Committee is mandated to identify, assess, and monitor institutional risks that may affect performance, resources, or reputation. It develops and oversees the implementation of risk mitigation strategies, ensuring that risk management is integrated into all planning and operational processes. The committee supports proactive decision-making to minimize potential threats to service delivery.





**4. County Assembly**

The County Assembly exercises oversight over the county executive's financial and operational activities. It approves budgets, reviews expenditure reports, and ensures that public funds are utilized efficiently and in accordance with the law. Through its sectoral committees, the Assembly holds officers accountable and ensures that audit and performance reports are acted upon.


**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](mailto:cheptalalsch@bomet.go.ke)  
Website: [www.bomet.go.ke](http://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.	<p><b>Stephen Sitonik</b> <b>Chairman, HMB</b></p> 	<p>Born in 1943, Retired Senior Lecturer, holder of 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.</p>
2.	<p><b>Dr. Stephen Omondi</b> <b>Secretary, HMB</b></p> 	<p>Born in 1985, Secretary to the board and accounting officer/ medical superintendent of the hospital. He is a PSK member, a Pharmacist with B. Pharm from Kenyatta university. Has served in various capacities in both public and private sector.</p>
3.	<p><b>Sarah Ngeno</b></p> 	<p>Born in 1961, Member HMB, Chair Quality of Health Services and Executive Committee, Retired nurse with a higher diploma in Reproductive health. Served as a Health facility in charge, a Reproductive Health coordinator and a Sub-county Public Health Nurse.</p>
4.	<p><b>Robert Maritim</b></p> 	<p>Born in 1969, Chair Finance and Audit, Member HMB and Executive Committee, he holds a diploma in supply chain management from Kisii University, works at KETEPA</p>

**Cheptalal Level 3B Hospital (Bomet County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025**

5.	<p><b>Rose Chepngetich Chepkwony</b></p> 	<p>Born in 1985, Member HMB and member Quality of Health Services Committee, O level certificate and currently works at Rorok tea Factory.</p>
6.	<p><b>Robert Kimutai Cheruiyot</b></p> 	<p>Born in 1975, Member HMB and development and Resource Mobilization Committee, holds a diploma in marketing from Kenya Institute of Management and worked with Majani Insurance and Kapset Tea Factory</p>
7.	<p><b>Rev. Edward Kilel</b></p> 	<p>Born in 1975, Member HMB and Finance and Audit Committee, a religious leader.</p>
8.	<p><b>Joyce Cherotich</b></p> 	<p>Born in 1990, Member HMB and development and Resource Mobilization Committee, O level.</p>
9.	<p><b>Daniel Kiprotich Ruto</b></p> 	<p>Born in 1972, Member HMB and Chair Development and Resource Mobilization Committee, A level.</p>



**Cheptalal Level 3B Hospital (Bomet County Government)  
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10.	<p><b>Beatrice Chepkoech Langat</b></p> 	<p>Born in 1994, Member HMB and Finance and Audit Committee, she holds a certificate in education from Bondo teachers college, currently a teacher at Nokirwet primary school.</p>
11.	<p><b>Johana Kipkirui Rotich</b></p> 	<p>Born in 1980, Member HMB and Quality of Health Services Committee, O levels, representing PWDs.</p>
12.	<p><b>Kipronoh Victor Sang</b></p> 	<p>Born in 1991, Member HMB and Executive committee, holds an MSc in Health Management from Kenyatta University. Served in various capacities in the health sector both public and private.</p>

**4. Key Management Team**

Ref	Management	Details
1.	<p><b>Dr. Stephen Omondi Oloo</b> B.Pharm</p> 	<p>Team Leader, Chair Health Management Team, Quality Improvement Committee, Disciplinary Committee, MPDSR, training committee and secretary to the Hospital Management Board. Member PPB</p>
2.	<p><b>Dr. Dominic Kiprono</b> MBChB</p> 	<p>Deputy Team Leader, Deputy Chair Health Management Team, Head of clinical and administrative services, Chair Medicine and therapeutic committee. Member KMPDC</p>
3.	<p><b>Kipronoh Sang Victor</b></p> 	<p>Head of non medical support services, secretary –HMT, QIC , Training and Disciplinary Committee, Member-HMB and Kenya Association of Health Administrators.</p>
4.	 <p>Ngeno Peter</p>	<p>Head Financial Services, Member HMT and Disciplinary Committee and ICPAK . Holder of MBA, BBM and CPA-K</p>
5.	<p><b>Beatrice Chemtai</b></p> 	<p>Head of supplies chain management and Member HMT, Holder of Diploma in purchasing and supplies.</p>

**Cheptalal Level 3B Hospital (Bomet County Government)**  
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6.	<p><b>Richard Kilel</b></p> 	<p>Head nursing services and member- HMT, Nursing council of Kenya, MTC, disciplinary, training and MPDSR committees. He is a Senior Nursing officer</p>
7.	<p><b>Cosmas Maritim</b></p> 	<p>Head of Health records and information and member- HMT, Training, MPDSR, QIC and disciplinary Committees</p>
8.	<p><b>Zeddy Chemutai</b></p> 	<p>Head of pharmaceuticals and non pharmaceuticals  Member - pharmacy and poisons board , HMT and MTC</p>
9.	<p><b>Chebet Korir</b></p> 	<p>Head of Biomedical engineering and member HMT.  Holder of Diploma in Biomedical Engineering</p>
10.	<p><b>Kelvin Moi</b></p> 	<p>Head of laboratory and member – HMT, Training, IPC and QIC</p>
11.	<p><b>Zaddock Cheruiyot</b></p> 	<p>Head of Nutrition and Dietetics and member - HMT, MTC and CME</p>

12.	<p><b>Cherono Ngeno</b></p> 	<p>Head of Dental Services and member HMT</p>
13.	<p><b>Benard Cheruiyot</b></p> 	<p>Head of eye and clinical services and member – HMT,MTC,IPC, CME and training committees</p>
14.	<p><b>Ronald Rono</b></p>  <p><b>Patricia Chepkorir</b></p> 	<p>Head of Radiology and member HMT</p> <p>Head of Public Health and member –HMT and IPC</p>
16.	<p><b>Caroline Chepkemoi</b></p> 	<p>Head of ICT and member HMT</p>

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

Cheptalal Sub County Hospital serves as the main referral hospital in Konoin Sub County.

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

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

The hospital depends on user fees reimbursements from SHA and a monthly AIE from the department of Health services.

This amount though inadequate has enabled the hospital carry out its operations. I continue to request 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.

This year has seen tremendous improvements in the facility, from service delivery to infrastructure and equipment. Most notable is strides made in land ownership to enable the facility expand its infrastructure to match the needs and to become a fully-fledged sub-county hospital at level IV.

With continued support from all stakeholders, the year has been a success and this is to thank the Board of Management, Staff and community for the unity of purpose. Gratitude also goes to the county of Bomet leadership for supporting developments in the facility.



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**Sitonik Stephen**

**Chairman to the Board**

## **6. Report of The Medical Superintendent**

Cheptalal Sub-County Hospital is a gazetted level 3B facility situated in Embomos ward of Konoin Sub-county in Bomet County and serves as the referral facility for the sub-county and its neighbours. Its main source of financing is through Facility Improvement Fund and monthly disbursements from the county government of Bomet and partners. The facility offers outpatient services, in patient services, maternity services, radiology services, theatre services, eye care services and dental services. The main streams of revenues are user fees all claimed through SHA portal and reimbursed on a monthly basis and capitation through PHC. To improve service delivery, the hospital management with the support of the Hospital Board carried out several maintenances of plant and machinery, including servicing of anaesthesia machine which was long overdue and of importance for a fully functional theatre, repair and eventual replacement of haematology analyser to assist in diagnostic, backup generator maintenance and several other routine works. The hospital is also working to introduce x-ray services by renovating a room spaces to accommodate the x-ray and ultrasound machines, which will be crucial in the facility and other surrounding facilities in the area since none is available.

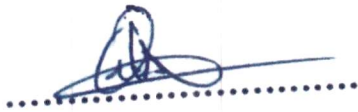
The hospital fully implemented FIF Act 2023 and Bomet County FIF policy 2023-2028 in October 2024. Under this dispensation SHIF and PHC Funds under SHA were the main sources of financing for the Hospital during the year under review. The county government funds transfers were also received but significantly reduced. SHA reimbursement inflows enabled the hospital to reduce its pending bills significantly.

The hospital has two broad sources of revenue and support; exchange of Kshs 5,853,220 and non exchange transactions of Kshs 97,811,195. About 99% of our support is associated to non exchange transaction. A contribution in kind of kshs 91,977,195 was received where as Kshs 5,834,000 was was received in respect of transfers as operational grant as - AIE. Much of our workforce is provided by the County Government of Bomet who deploys them and pays their salaries and allowances. Cheptalal during the period received much non kind support in respect to supply Medical and non medical supplies, laboratory reagents and settlement of electricity bills.

The hospital spent Kshs 11,268,298 on medical and clinical costs, KShs 85,924,448 on paying our County staff, UHC staff and hospital casuals. Kitale community dispensary received KShs 252,000 as grants. KShs 2,073,718 was incurred in respect of hospital general costs while Kshs 1,582,597 was incurred in respect of repairs and maintenance. Our assets depreciated at a cost of KShs 3,760,616 while KShs 390,300 was used on Board of Management meetings.

The hospital was faced with surmounting challenges ranging from reduced financial support from County government of Bomet through funds transfer as AIE, delayed supply of pharmaceutical and non pharmaceuticals and few medical and non medical personnel. Patients' claims made to NHIF for the first quarter and previous years arrears remained unpaid. SHA came on board by October, 2024 with various challenges from inception that greatly affected operations of second quarter where hospital went on without support from both SHA and NHIF for two quarters. One of

the hospital lands was under the land succession at Sotik law courts and the hospital was required to participate in all the processes and yet the hospital had scanty documents relating to the same.

A handwritten signature in blue ink, appearing to be 'Dr. Stephen Omondi', is written over a horizontal dotted line.

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

**7. Statement of Performance Against Predetermined Objectives**

Cheptalal Sub-county hospital has 2 strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2024/25. These strategic pillars/ themes/ issues are as follows;

Pillar /theme/issue 1: Preventive services

Pillar/theme/issue 2: Curative services

Cheptalal Sub-county Hospital develops its annual work plans based on the above 2 pillars/Themes/Issues. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. Cheptalal Sub-county Hospital achieved its performance targets set for the FY 2024/2025 period for its 2 strategic pillars, as indicated in the diagram below:

<b>Strategic Pillar/Theme/Issues</b>	<b>Objective</b>	<b>Key Performance Indicators</b>	<b>Activities</b>	<b>Achievements</b>
Pillar/ theme/ issue 1:	Ensuring prevention of communicable diseases	The number of patients immunized	Community outreach services	95% of children were fully immunized 100% defaulters traced and immunized
Pillar/ theme/ issue 1:	Facilitating treatment and curative services	Number of patients treated and discharged	Establishment of special clinics	Continuous running of family medicine clinic Clients enrolled on continuous care clinic

### **8. Corporate Governance Statement**

Cheptalal Sub-County hospital is constituted as per the Constitution of Kenya, 2010 and Kenya Health Act 2017. The hospital is headed by a Medical Superintendent, who is responsible for the general policy and strategic direction of the hospital. The hospital is operates on the framework of Bomet County Hospital Management Boards and Health Facility Management Committee policy, 2018. This policy guides on how the Hospital Boards of management are appointed and removed, the qualifications and composition, their roles and trainings, how they conduct their meetings and overall performance management.

#### **Composition of the Sub-County Hospital Board**

The total membership of the sub-county hospital board is twelve who are nominated and appointed by the CECM. The board consists of: -

- a) A chairperson from among the ten persons from the wards who are be appointed by the CEC Medical Services and Public Health
- b) The officer in-charge of Sub-County hospital who is the secretary and ex- officio member
- c) The Sub-County Hospital Administrator who is an ex- officio member
- d) Representative from the Sub-County medical services office
- e) Two persons per ward consisting of the following -
  - One person who has knowledge and experience in management or administration.
  - One person who has knowledge and experience in finance and procurement.
  - One person with medical background and must not be a public servant
  - One person to represent people with disability.
  - One person to represent recognized None State Actors
  - One person representing Women
  - One person representing Youths
  - Other three person who meet the eligibility of being a board member

#### **Eligibility**

1. All the elected members of the County Board possess a post KCSE certificate or equivalent from recognized institution and at least a Degree for the chairperson.
2. The board members apart from ex-officio hold office for a period of three (3) year and are eligible for re-appointment/re-election for one further and final term.
3. All the board members are persons of integrity.

### **Functions of the Sub-County Hospital Board**

The board performs the following functions: -

1. To provide general leadership and management of the sub-county hospital/ county hospital.
2. Approve and oversee relevant major development expenditures the health facility
3. Approve budget based on estimated expenditure.
4. A full board meets at least once every quarter unless on special occasions
5. Ensure well-kept basic books of accounts and records of accounts of income, expenditure assets and liabilities of a county or sub county hospital as prescribed by the officers administering the funds.
6. Ensure properly kept permanent records of all its deliberations.
7. The board appoints various sub-committees to facilitate its functions and mandate.
8. Prepare quarterly reports and submit them to the CECM

### **Terms of Reference of Committees**

1. The members apart from ex-officio hold office for a period of three (3) year and are eligible for re-appointment/re-election for one further and final term.
2. They meet at least four times a year and maintain records of its deliberations.
3. The sub committees meet as often as demanded by the activities.
4. A quorum for a meeting of the board is two- thirds of all members including the secretary.
5. The meetings are held at the health facility
6. The secretary notifies the members of the agenda, venue, date and time of the meeting in writing fourteen days before the date of the meeting.
7. The secretary reminds the members in writing, SMS, email or any other acceptable means of communication three days before date of the meeting.

### **Induction, training and development**

The Board members, upon appointment and inauguration are taken through induction training by the county department of health. This is to enhance their capacities and understanding of the roles, responsibilities and conduct as members of the hospital board. The hospital further conducts trainings and seminars on varied policies and topics of concern together with partners on need basis to further develop the capacities of the board members.

### **Board and members' performance**

The Bomet county Hospital Boards and Health Facilities Management Committees policy 2018 provides a performance monitoring and evaluation framework that is based on the primary objectives of the board. The deliverables the board is assessed on include:

- number of meetings and their minutes
- financial and audit reports
- hospital plans
- funding reports
- project reports
- lists of partners engaged
- training reports

### **Number of board meetings held and their attendance by members**

The board members had four full board meetings as envisaged in the policy in the financial year 2024-2025. In these meetings, the quorums were met. The first meeting in the financial year had everyone attending. The second quarter had nine out of the twelve members. In the third quarter, seven members attended and the last quarter had ten out of twelve members attending.

The hospital further had two sub-committee meetings of the executive sub-committee which had the full membership of five members.

### **Succession Planning**

The board members are appointed for a three-year term and eligible for reappointment for one final term. To allow seamless transition, members are appointed at different times such that they do not all have their time lapsing at once. This allows for the business of the board to continue as replacements are being done by the CECM in charge of health services.

### **Ethics and Conduct**

Members are expected to:

- Maintain confidentiality of hospital information.
- Declare conflicts of interest.
- Act professionally and with integrity.
- Promote teamwork, transparency, and respect.
- Avoid interference with routine operations unless necessary.

### **Board and Committee Allowances**

The hospital management boards and Health facility management committee members are paid such allowances and disbursement for expenses as determined by the CECM Medical services and public health. During the year, Kshs 390,300 was incurred towards Hospital Management Board committee allowances.

### **Powers of the Board**

1. The board establishes various sub-committees to facilitate its functions and mandate on need basis.
2. The Board has authority to hire and fire the casual staff hired by itself as per the Kenyan Labor Laws.

## **9. Management Discussion and Analysis**

The hospital continued to provide essential health services to the community with a bed capacity of 23 beds.

Over the reporting period, the Hospital registered a total of 29,656 patient attendances, which reflects a significant level of service utilization.

In addition to general care, the hospital recorded 6,114 specialized clinic attendances, covering areas such as dental, eye, CCC (Comprehensive Care Clinic), medical, and TB services.

The average length of stay for inpatients was reported at 6 days, indicating a balance between quality care and timely discharges.

The bed occupancy rate stood at 21%, while the mortality rate was maintained at 0.6%, an encouraging measure of the effectiveness of care provided.

The surgical theatre also remained a vital component of hospital operations, with a total of 60 surgeries (both minor and major) successfully performed during the year

### **Financial performance that includes: -**

#### **Revenue sources,**

Hospital generates its revenue from two sources; 1% i.e kshs 5,853,220 on exchange and 99% i.e kshs 97,811,195 on non-exchange transactions. In exchange transaction, revenue is generated from rendering of medical services by the hospital to its clients. Patients often pay for the services through SHA/ NHIF, AON Minet or pay cash on Paybill. During the period 511 claims were submitted of Kshs 6,180,6400 to SHA of which 22 were under review, 8 were sent back for correction and successfully returned for approval. 163 claims were rejected. 210 claims of Kshs 2,970,000 was approved and paid. Kshs 1,436,240 remained unpaid.

On cash payment, Hospital raised a total of Kshs 578,030 which is 30% for laboratory, 15% dental, 34% pharmacy, 11% health records, 7% radiology and the rest on medical exam and dressing services.

During first quarter, Hospital submitted 245 claims to NHIF worth kshs 837,300 which remained unpaid. 18 patients received treatment and AON Minet was billed Kshs 31,650 which is yet to be paid.

82% of exchange transactions revenue is generated from SHA despite working for only 9 months. 10% is from NHIF, 8% from Paybill and the rest from AON Minet.

On the other hand, Hospital benefits from Non Exchange transactions through grants from County Government of Bomet, department of health services in form of AIEs, pharmaceuticals and non Pharmaceuticals supplies from KEMSA, staff salaries and allowances, staff training and payment of electricity bills from Kenya power. A total of Kshs 8,258,259 was received during the period which is 53% of total receipts to the hospital.

**Utilisation of funds etc**

A total of Kshs 105,251,972 was spent during the year by the hospital to run its operations. Kshs11, 268,293 was incurred in Medical and clinical costs. A whopping Kshs 85,924,448 was utilized on compensation of employees in which County, UHC and Hospital casual staff was paid Kshs 80,358,936, Kshs 3,360.000 and Kshs 2,205,512 respectively. Kshs 390,300 was incurred towards Board meetings and allowances. Kshs 1,582,597 was utilized towards repairs and maintenance, while kshs 2,073,718 was incurred in respect of general expenses Hospital assets lost Kshs 3,760616 on depreciation.

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

Cheptalal Sub-county Hospital exists to offer holistic care to its population. It's what guides us to deliver our strategy, putting the client/Citizen first, delivering health services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

### **i) Environmental performance**

Cheptalal sub-county hospital uses Kaizens policy, i.e. (5s) the five (s) is for: sort, set, shine standardize and sustain. The policy has been shared with every department, with a clear wall chart within the hospital. The health care staffs are provided with personal protective equipment (PPEs) such as clean and sterile gloves, and masks. Health care workers are advised to minimize waste originating from their departments as much as possible. Each department (MCH, Maternity, CCC, and OPD) is provided with bin liners (RED, YELLOW & BLACK) and safety boxers.

RED BIN LINERS are for highly infectious waste such as placentas

YELLOW BIN LINERS are for infectious waste such as gloves

BLACK BIN LINERS are for general waste such as papers food etc.

SAFETY BOXES are for sharp objects such as syringes and needles

The success has been seen in the minimal and reduced infection transmission amongst the healthcare workers within the hospital, and the general public. However, challenges do exist when it comes to waste segregation, disposal and also timely availability of all the bin liners and safety boxes, as this is a function of the department of health services through our suppliers.

### **ii) Employee welfare**

Hiring process for health care workers is mainly done by the CGOB (County government of Bomet) through the CPSB (County Public Service Board). This is with an exception of the staff hired under the hospital's AIE, who goes through the hospital's board of management on a contractual basis. The hiring is done according to the public serve act on hiring that takes into account the 2/3 gender rule. Routine on job trainings and CMES are done to further strengthen the knowledge and skill base.\

**iii) Market place practices-**

Cheptalal sub county Hospital observes all regulations governing the market place practices as follows;

**a) Responsible competition practice.**

Cheptalal Sub-county hospital has ensured responsible competition practice by carrying out its purchases in accordance with the Public Procurement and asset Disposal Act 2015 and regulations 2020 to enhance an open and competitive process for procurement of goods and services.

**b) Responsible Supply chain and supplier relations**

Cheptalal Sub-county hospital has enhances supply chain and supplier relations by ensuring compliances to the law and regulations governing procurement, sustainable and transparent sourcing evaluations and developing sustainable procurement practices to future proof the organisation against scarcity of supplies

**c) Responsible marketing and advertisement**

The county department of medical services has been sponsoring doctors to visit vernacular station to teach the public on preventive measures to take so as to avoid contracting disease;

The hospital through the public health officer, community Health Assistants and CHPs from the CU with the hospitals catchment area conduct regular community dialogues and action days. They also inform the communities on the scope of health care services available at the hospital. They also conduct social mobilization in support of outreach services.

**d) Product stewardship**

The hospital health care workers are much aware on the need to keep the patient information confidential.

**iv) Corporate Social Responsibility / Community Engagements**

For the year ended June 2025 Cheptalal sub county hospital has been able to facilitate home visits for patients that require palliative care. The hospital also engaged the community health volunteers in contact tracing or defaulter tracing.

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

The board members submit their report together with the audited financial statements for the year that ended June 30, 2025, which show the state of the Cheptalal Sub County Level 3B Hospital affairs.

### **Principal activities**

The principal activities of the Hospital are:

1. Treatment services
2. Rehabilitative services
3. Reproductive health services
4. Theatre services
5. Immunization and MCH services

### **Results**

The results of the Hospital for the year ended June 30 2025 are set out on pages 1 to 29

### **Board of Management**

The members of the Board who served during the year are shown on page vii to ix. During the year, 2025, no member retired/ resigned, and no member was appointed with effect from 1<sup>st</sup> July, 2024 to date.

### **Auditors**

The Auditor General is responsible for the statutory audit of the Cheptalal Sub County Level 3B Hospital in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



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

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

Section 164 of the Public Finance Management Act, 2012 and FIF Act, 2023 requires the Board of Management to prepare financial statements in respect of that Hospital, which give a true and fair view of the state of affairs of the Hospital at the end of the financial year/period and the operating results of the Hospital for that year/period. The Board of Management is also required to ensure that the Hospital keeps proper accounting records which disclose with reasonable accuracy the financial position of the Hospital. The council members are also responsible for safeguarding the assets of the Hospital.

The Board of Management is responsible for the preparation and presentation of the Hospital’s financial statements, which give a true and fair view of the state of affairs of the Hospital for and as at the end of the financial year (period) ended on June 30, 2025. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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 and PSASB regulations. 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, 2025, and of the Hospital’s financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the Hospital, which have been relied upon in the preparation of the Hospital’s financial statements as well as the adequacy of the systems of internal financial control.

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

### **Approval of the financial statements**

The Hospital’s financial statements were approved by the Board on 21st July, 2025 and signed on its behalf by:



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



.....  
**Name: Dr. Stephen Omondi**  
**Accounting Officer**

# REPUBLIC OF KENYA

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## **REPORT OF THE AUDITOR-GENERAL ON CHEPTALAL LEVEL 3B HOSPITAL FOR THE YEAR ENDED 30 JUNE 2025 – COUNTY GOVERNMENT OF BOMET**

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### **PREAMBLE**

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

- A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; 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 32, which comprise of the statement of financial position as at 30 June, 2025 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, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Health Act, 2017 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Unsupported In-Kind Contribution from the County Government**

The statement of financial performance and as disclosed in Note 7 to the financial statements reflects in-kind contributions from the County Government amounting to Kshs.91,977,195. The contribution relates to expenses paid directly by the County Government of Bomet. However, copies of the payment vouchers, request letters, the approvals from the County Treasury and delivery notes indicating specific commodities supplied in support of the in-kind contribution from the County Government were not provided for audit review.

In the circumstances, the accuracy and completeness of in-kind contributions from the County Government amounting to Kshs.91,977,195 could not be confirmed.

#### **2. Unsupported Accumulated Deficit**

The statement of financial position reflects accumulated deficit totalling Kshs.1,388,289. The amount is net of restatement balances totalling Kshs.408,966 as reflected in the statement of changes in net assets. However, journal entries in support of the restatements were not provided for audit review.

In the circumstances, the accuracy and completeness of accumulated deficit totalling Kshs.1,388,289 could not be confirmed.

#### **3. Unsupported Capital Fund**

The statement of financial position reflects capital fund totalling Kshs.67,766,500. The amount is net of restatement balances totalling Kshs.2,869,620 as reflected in the statement of changes in net assets. However, journal entries in support of the restatements were not provided for audit review.

In the circumstances, the accuracy and completeness of capital fund totalling Kshs.67,766,500 could not be confirmed.

#### **4. Inaccuracies in the Statement of Cash flows**

The statement of cash flows and as disclosed in Note 23 to the financial statements reflects net cash flows from operating activities amounting Kshs.23,049. The amount comprise of working capital adjustment amounting to Kshs.2,102,902 in respect of decrease in receivables as reflected in Note 23 to the financial statements. However, the decrease in receivables differs with the recomputed amount of Kshs.4,559,380 resulting in unexplained variance of Kshs.2,456,478.

Further, the statement reflects net increase in cash and cash equivalents by Kshs.18,873. However, the amount differs with the recomputed increase in cash and cash equivalents of Kshs.23,049 resulting in unexplained variance of Kshs.4,176. Similarly, the statement reflects cash and cash equivalents as at 30 June 2025 totalling Kshs.23,049 which differs with the recomputed amount of Kshs.27,225 resulting in an unreconciled variance of Kshs.4,176. However, the recomputed amount of Kshs.27,225 also differs with cash and cash equivalents balance of Kshs.23,049 reported in the statement of financial position.

In the circumstances, the accuracy and completeness of the statement of cash flows could not be confirmed.

#### **5. Unsupported Receivables from Exchange Transactions**

The statement of financial position and as disclosed in Note 17 to the financial statements reflects receivables from exchange transactions totalling Kshs.4,575,390. However, the detailed schedule indicating particulars of the patients, services rendered and amount owed by each patient was not provided for audit review.

Further, the amount includes medical services receivables – Social Health Authority (SHA) totalling Kshs.1,436,240. However, records on SHA billings, the amount claimed, amount paid, outstanding balances and monthly reconciliations were not provided for audit review.

In addition, the amount includes receivables totalling Kshs.3,007,500 due from the defunct National Health Insurance Fund (NHIF). The amount had remained unpaid for over one year. However, no provision has been made for bad and doubtful debts and evidence of efforts made by Management to recover the balances was not provided for audit review.

In the circumstances, the accuracy, completeness and recoverability of receivables balance of Kshs.4,575,390 could not be confirmed.

#### **6. Unsupported Property, Plant and Equipment**

The statement of financial position reflects property, plant and equipment totalling Kshs.63,671,934. The amount is net of depreciation charge for the year amounting to Kshs.3,760,617 as disclosed in Note 20 to the financial statements. However, the depreciation policy and rates have not been disclosed in the financial statements. The valuation and ownership documents for the property, plant and equipment including land

valued at Kshs.6,883,333 and buildings and civil works valued at Kshs.43,448,696 were also not provided for audit review.

Further, an updated asset register indicating asset identification or serial numbers, acquisition date, description of asset, location, class and cost of acquisition of all the movable and non-movable assets was also not provided for audit. Management explained that the records of assets were maintained at the County Government Headquarters but no evidence was provided for audit verification.

In the circumstances, the accuracy, valuation and ownership of the Hospitals property, plant and equipment totalling Kshs.63,671,934 could not be confirmed.

## **7. Unsupported Trade and Other Payables**

The statement of financial position reflects trade and other payables totalling Kshs.3,146,441. The amount includes trade and employee payables totalling Kshs.2,763,529 and Kshs.382,912 respectively as disclosed in Note 22 to the financial statements. However, schedules and ledgers indicating creditors' particulars, goods or services rendered and amounts payable to each creditor were not provided for audit review. The employee dues amounting to Kshs.382,912 were also not supported by extracts of payrolls or records on how the claims were determined.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.3,146,441 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 Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Key Audit Matters**

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

### **Other Matter**

#### **Unresolved Prior Year Audit Matters**

In the audit reports of the previous year, thirteen (13) issues were raised in the Report on the Financial Statements as shown in **Appendix I**. However, Management had not resolved the issues or given any explanations for failure to implement the recommendations.

## **Other Information**

Management is responsible for the Other Information set out on page iv to xxvi 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, Environmental and Sustainability Reporting, Report of the Board of Management, and Statement of Board of Management's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Hospital'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 effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1. Irregular Engagement and Payment of Casual Employees**

The statement of financial performance and as disclosed in Note 10 to the financial statements reflects employee costs amounting to Kshs.85,924,448. The amount includes Kshs.2,172,001 in respect of casual wages. However, approved staff establishment showing deficiency of staff to be filled by the casuals, formal requests done by the Departmental Heads on the need for engaging casuals, and the Hospital Management Board's approval were not provided for audit review. This implies that Management irregularly engaged and paid the casual employees during the year.

Further, the casual employees were engaged for a period of twelve (12) months consecutively without review of their terms contrary to Section 37(1)(b) of the Employment Act, 2007 which provides that where a casual employee performs work for more than three (3) months, the contract of service of the casual employee shall be deemed to be one where wages are paid monthly.

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

## **2. Lack of an Approved Annual Budget**

The Hospital operated without an approved budget in the year under review. This was contrary to Section 18(a) of the Facilities Improvement Financing Act, 2023 which requires the Health Facility Management Committee to consider and submit for approval to the chief officer the annual facility work plan and budget. Management explained that the budgetary requirements of the Hospital were incorporated in the County Government's budget and therefore the Hospital operated on monthly Authority to Incur Expenditures (AIEs) that were issued by the Health Department of the County. However, the annual approved budget as included in the County Government's annual budget for the financial year 2024/2025 was not provided for audit review.

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

## **3. Irregular Transfer of Facility Improvement Fund - Grants and Subsidies**

The statement of financial performance and as disclosed in Note 14 to the financial statements reflects grants and subsidies of Kshs.252,000 to Kitala Dispensary. This is facility improvement fund transferred to another institution contrary to Section 5 of the Facilities Improvement Financing Act, 2023 which states that there shall be retention of all monies raised or received by or on behalf of all public health facilities. The income and other receivables retained by the public health facilities shall be considered as a supplement to the budgets and resources appropriated to the public health facilities by the respective County Government.

## **4. Service Delivery Gaps**

The annual report and financial statements indicate that the Hospital is a Level 3B Hospital. However, the Hospital's practicing license issued by the Kenya Medical Practitioners and Dentists Council (KMPDC) classifies it as a Level 3A facility. The discrepancy in classification was not explained

Further, the Hospital had twenty-four (24) medical staff against the minimum requirement of one hundred and one (101) for level 3B hospitals as prescribed by the Kenya Quality Model for Health Policy Guidelines on personnel requirements resulting in unexplained variance of seventy-seven (77) staff.

In addition, the Hospital did not have functional departments including surgical unit, pediatric unit, radiology unit, renal dialysis, high dependency unit, tuberculosis management, mortuary and autopsy services, advanced life support and laboratory services of Laboratory class D. Verification of services offered and equipment available revealed that the facility did not meet key requirements as prescribed by the guidelines as shown below.

<b>Criteria</b>	<b>Minimum Required</b>	<b>In place</b>	<b>Shortfall/ Variance</b>
Land or office space of approximately 2,500 square meters	5 Acres	3 Acres	2 Acres
Beds in male ward, female ward, pediatric ward, antenatal ward and postnatal ward	150	15	135
Resuscitative bed	3	0	3
New born unit incubator	5	0	5
New born baby cots	5	0	5
Dialysis machines	5	0	5
Magnetic Resonance Imaging (MRI) machine	1	0	1
Computer Technology (CT) scan machine	1	0	1
Mammography machine	1	0	1
Dental X-ray machine	1	0	1
Defibrillators (for Accident and Emergency, theatre and ICU)	3	0	3
High Dependence Unit (HDU)	1	0	1
Waiting rooms	8	1	7
Consultation rooms	8	2	6
Registration rooms	8	1	7
Injection room	1	0	1
Functional operating theaters for maternity and general wards	2	1	1
Plaster room	1	0	1
Medical engineering unit	1	0	1
Mortuary/cold room (mandatory)	1	0	1
Cloak rooms	4	1	3
Protected Incinerator	1	0	1

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

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

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

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

## **Conclusion**

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

## **Basis for Conclusion**

### **1. Weak Internal Controls in Stores and Inventory Management**

Review of the stores records and physical verification conducted in July 2025 revealed that the Hospital lacked an inventory management policy or standardized system to govern the receipt, issuance, replenishment, inspection, tracking of expiry, and disposal of pharmaceutical and non-pharmaceutical supplies resulting in lack of clear trail to confirm the utilization of the supplies by patients. The facility was also understaffed and lacked dedicated stores personnel, only one pharmacist was available to handle commodities' receipts and issuance, leading to a lack of segregation of duties.

Further, review of the Hospital's stores and stock cards revealed that there was lack of quarterly stock take reports as the management did not conduct stock take during the financial year under review.

In addition, the main store was overcrowded, with stock items, including drugs, haphazardly stacked. Making access and inventory control difficult and increases the risk of damage or misplacement.

In the circumstances, effectiveness of internal controls implemented in the stores department to safeguard against possible losses could not be confirmed.

### **2. Lack of Standard Operating Procedures and Policies**

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

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

### **3. Weak Internal Controls in Revenue Receipting System**

Review of the Hospital's revenue management processes and systems revealed that Management did not maintain comprehensive and reliable revenue records. Reliance was

made on bank statements derived from M-Pesa Paybill transactions as the primary source document for revenue recognition. Manual entries were recorded from patients' phone payment messages without any verification to confirm whether the amounts paid were actually credited to the hospital's bank account.

Further, Management maintained its revenue records in manual form and there was no evidence of any plan to transition from the current manual revenue recording process to an automated revenue management system. A walkthrough of the hospital's billing process revealed that patients were billed manually using undefined and inconsistent criteria thus lacking a standardized billing framework, making it impossible to generate reliable billing and revenue reports.

In addition, there was no evidence of daily reconciliations of revenue collected manually verses mobile payment transactions used in banking and Management did not conduct daily or periodic reconciliations of mobile revenue collections.

In the circumstances, the effectiveness of internal controls designed in the revenue collection could not be confirmed.

#### **4. Lack of Internal Audit Review and Audit Committee**

During the year under review, there was no internal audit review of the Hospital's activities. This was contrary to Regulation 153(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires internal auditors to review and evaluate budgetary performance, financial management, transparency and accountability mechanisms and processes in County Government entities and review the effectiveness of the financial and non-financial performance management systems of the entities.

Further, the Hospital did not have an audit committee as required by Regulation 155(5) of the Public Finance Management (County Governments) Regulations, 2015.

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

#### **5. Unconfirmed Appointment and Meetings of the Hospital Management Committee**

The Hospital's Management Committee is composed of twelve (12) members against the maximum number of nine (9) members as stipulated in Section 17(1) of the Facilities Improvement Financing Act, 2023 resulting in overrepresentation of the Committee by three (3) members. The Gazette Notice appointing the members was also not provided for audit review. This was contrary to Section 1.1 (11) of Mwongozo Code of Governance which states that each Board member shall be formally appointed to the Board through a Gazette Notice and there after an appointment letter.

Further, work plans and minutes of Committee meetings as proof that the Committee met and executed its mandate during the year under review were not provided for audit.

In the circumstances, effectiveness of the governance controls put in place could not be confirmed.

## **6. Use of Manual Accounting Records**

Review of records revealed that financial records including payroll, cash book and ledgers were maintained in manual form without backups, thereby exposing the Hospital's financial information to risks of inaccuracy, inefficiencies, manipulations and possible loss. The management, did not provide any justification as to why the financial transactions were not maintained in the system.

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

## **7. Lack of Risk Management Strategies**

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

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

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

## **Responsibilities of Management and those Charged with Governance**

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

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the

## Appendix I

### Unresolved Prior Year Audit Matters

Paragraph	Financial Year	Issue
1	2023/2024	Inaccuracies in Comparative Balances
2	2023/2024	Inaccuracy of Transfers from the County Government
3	2023/2024	Unsupported In-Kind Contributions from the County Government
4	2023/2024	Inaccuracy of Rendering of Services – Medical Service Income
5	2023/2024	Unsupported Grants and Subsidies
6	2023/2024	Inaccuracy of Receivables from Exchange Transactions
7	2023/2024	Inaccuracy of Property, Plant and Equipment
8	2023/2024	Inaccuracy of Trade and Other Payables
9	2023/2024	Budgetary Control and Performance
10	2023/2024	Unresolved Prior Year Audit Matters
11	2023/2024	Unbalanced Budget
12	2023/2024	Lack of Risk Management Policy
13	2023/2024	Lack of Internal Audit Function and Audit Committee

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

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

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

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

  
**FCPA Nancy Gathungu, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**17 December, 2025**

**Cheptalal Level 3B Hospital (Bomet County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025**

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

Description	Note	FY 2024 - 2025	FY 2023 - 2024
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from the County Government	6	5,834,000	13,877,250
In- kind contributions from the County Government	7	91,977,195	<b>8,568,120</b>
		<b>97,811,195</b>	<b>22,445,370</b>
<b>Revenue from exchange transactions</b>			
Rendering of services- Medical Service Income	8	5,853,220	3,050,976
<b>Revenue from exchange transactions</b>		<b>5,853,220</b>	<b>3,050,976</b>
<b>Total revenue</b>		<b>103,664,415</b>	<b>25,496,346</b>
<b>Expenses</b>			
Medical/Clinical costs	9	11,268,293	11,198,228
Employee costs	10	85,924,448	2,244,633
Board of Management Expenses	11	390,300	150,400
Depreciation and amortization expense	12	3,760,616	3,760,616
Repairs and maintenance	13	1,582,597	2,971,306
Grants and subsidies	14	252,000	3,554,996
General expenses	15	2,073,718	3,574,198
<b>Total expenses</b>		<b>105,251,972</b>	<b>27,454,377</b>
<b>Other gains/(losses)</b>			
Gain on revaluation of non-Current assets		0	1,738,333
<b>Total other gains/(losses)</b>		<b>0</b>	<b>1,738,333</b>
<b>Net Surplus / (Deficit) for the year</b>		<b>(1,587,557)</b>	<b>(209,698)</b>

(The notes set out on pages 18 to 24 form an integral part of the Annual Financial Statements.)


The Hospital's financial statements were approved by the Board on 21<sup>st</sup> July, 2025 and signed on its behalf by:



.....  
**Stephen Sitonik**  
**Chairman**  
**Board of Management**



.....  
**Peter Ngeno**  
**Head of Finance**  
**ICPAK No: 14244**



.....  
**Dr. Stephen Omondi**  
**Medical Superintendent**

**Cheptalal Level 3B Hospital (Bomet County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025**

**15. Statement of Financial Position As At 30<sup>th</sup> June 2025**

Description	Note	FY 2024 - 2025	FY 2023 - 2024
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	16	23,049	4,176
Receivables from exchange transactions	17	4,575,390	2,691,020
Receivables from non-exchange transactions	18	0	6,443,750
Inventories	19	2,919,262	2,127,782
<b>Total Current Assets</b>		<b>7,517,701</b>	<b>11,266,728</b>
<b>Non-current assets</b>			
Property, plant, and equipment	20	63,671,934	67,505,900
Biological Assets	21	73,350	0
<b>Total Non-current Assets</b>		<b>63,745,284</b>	<b>67,505,900</b>
<b>Total assets (A)</b>		<b>71,262,985</b>	<b>78,772,628</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	22	3,146,441	6,607,873
<b>Total Current Liabilities</b>		<b>3,146,441</b>	<b>6,607,873</b>
<b>Total Liabilities (B)</b>		<b>3,146,441</b>	<b>6,607,873</b>
<b>Net assets (A-B)</b>		<b>68,116,544</b>	<b>72,164,755</b>
<b>Represented by:</b>			
Revaluation reserve		1,738,333	1,738,333
Accumulated surplus/Deficit		(1,388,289)	(209,698)
Capital Fund		67,766,500	70,636,120
<b>Net Assets</b>		<b>68,116,544</b>	<b>72,164,755</b>

(The notes on pages 18 to 24 form an integral part of the Annual Financial Statements.)  
The Hospital's financial statements were approved by the Board on 21<sup>st</sup> July, 2025 and signed on its behalf by:

  
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**Stephen Sitonik**  
Chairman

  
.....  
**Peter Ngeno**  
Head of Finance

  
.....  
**Dr. Stephen Omondi**  
Medical Superintendent

**Board of Management**

**ICPAK No:14244**

**Cheptalal Level 3B Hospital (Bomet County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025**

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

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
<b>As at July 1, 2023 (previous year)</b>		<b>408,966</b>	<b>88,325,217</b>	<b>88,734,183</b>
Revaluation gain	1,738,333	-	0	1,738,333
Surplus/(deficit) for the year	-	(209,698)	0	(209,698)
<b>As at June 30, 2024 (previous year)</b>	<b>1,738,333</b>	<b>-209,698</b>	<b>70,636,120</b>	<b>72,164,755</b>
<b>At July 1, 2024 (current year)</b>	<b>1,738,333</b>	<b>-209,698</b>	<b>70,636,120</b>	<b>72,164,755</b>
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	(1,587,557)	-	(1,587,557)
Restatement of balances-	-	408,966	-2,869,620	-2,460,654
<b>At June 30, 2025 (current year)</b>	<b>1,738,333</b>	<b>(1,388,289)</b>	<b>67,766,500</b>	<b>68,116,544</b>

**Cheptalal Level 3B Hospital (Bomet County Government)**  
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**17. Statement of Cash Flows for The Year Ended 30 June 2025**

Description	Note	FY 2024 -	FY 2023 -
		2025	2024
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the County Government	6	5,834,000	9,929,500
Rendering of services- Medical Service Income		4,874,407	1,859,364
Opening balances		-	81,954.5
<b>Total Receipts</b>		<b>10,708,407</b>	<b>11,870,818.5</b>
<b>Payments</b>			
Medical/Clinical costs		3,276,340	2,676,105
Employee costs		2,693,354	1,815,991
Board of Management Expenses		390,300	150,400
Repairs and maintenance		1,923,767	2,772,689
Grants and subsidies		252,000	2,066,691
General expenses		2,149,597	2,334,865
<b>Total Payments</b>		<b>10,685,358</b>	<b>11,816,741</b>
<b>Net cash flows from operating activities</b>		<b>23,049</b>	<b>54,077.5</b>
<b>Cash flows from investing activities</b>		<b>0</b>	<b>0</b>
<b>Net cash flows used in investing activities</b>		<b>0</b>	<b>0</b>
<b>Cash flows from financing activities</b>		<b>0</b>	<b>0</b>
<b>Net cash flows used in financing activities</b>		<b>0</b>	<b>54,075.5</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>18,873</b>	
Cash and cash equivalents as at 1 July		4,176	81,690.50
<b>Cash and cash equivalents as at 30 June</b>	16	<b>23,049</b>	<b>4176</b>

**Cheptalal Level 3B Hospital (Bomet County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025**

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	B	c=(a+b)	d	e=(c-d)	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget carryovers from the previous year	-					%
<b>Receipts</b>						
Transfers from the County Government	10,968,000	(5,134,000)	5,834,000	5,834,000	0	100%
Rendering of services-Medical Service Income	6,060,000	(206,780)	5,853,220	4,874,407	978,813	83%
<b>Total receipts</b>	<b>17,028,000</b>	<b>(5,340,780)</b>	<b>11,687,220</b>	<b>10,708,407</b>	<b>978,813</b>	<b>92%</b>
<b>Payments</b>						
Medical/Clinical costs	6,648,000	(2,976,000)	3,672,000	3,276,340	395,660	89%
Employee costs	2,760,000	0	2,760,000	2,693,354	66,646	98%
Remuneration of directors	360,000	36,000	396,000	390,300	5,700	99%
Repairs and maintenance	2,736,000	(721,980)	2,014,020	1,923,767	90,253	96%
Grants and subsidies	504,000	0	504,000	252,000	252,000	50%
General expenses	4,020,000	(1,678,800)	2,341,200	2,149,597	191,603	92%
<b>Total Operational Expenditure paid</b>	<b>17,028,000</b>	<b>(5,340,780)</b>	<b>11,687,220</b>	<b>10,685,358</b>	<b>1,001,862</b>	<b>91%</b>
<b>Capital Expenditure paid</b>						<b>0%</b>
<b>Surplus</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>23,049</b>	<b>23,049</b>	<b>%</b>

**Budget Reconciliation**

Description of Particulars	Amount in Kshs
Actual Surplus Amounts as per the statement of Budget	23,049
Closing Cash and Cash Equivalent as per the statement of Cash flows	23,049

**19. Notes to the Financial Statements**

**1. General Information**

Cheptalal Level 3B Hospital is established by and derives its authority and accountability from Health Act. The Hospital is wholly owned by the Bomet County Government and is domiciled in Bomet County in Kenya. The Hospital's principal activity is treatment, preventive, reproductive and MCH 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 19. 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**

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

Standard	Effective date and impact:
IPSAS 43	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></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 an 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><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>
IPSAS 45- Property Plant and Equipment	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>

**Cheptalal Level 3B Hospital (Bomet County Government)**  
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Standard	Effective date and impact:
<p>IPSAS 46 Measurement</p>	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ul> <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 1<sup>st</sup> January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an 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><b><i>Applicable 1<sup>st</sup> January 2026</i></b></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><b><i>Applicable 1<sup>st</sup> January 2026</i></b></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 financial statements that should be presented by a retirement benefit plan.</p>
<p>IPSAS 50: Exploration For &amp; Evaluation of Mineral Resources</p>	<p><b><i>Applicable 1<sup>st</sup> January 2027</i></b></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ol style="list-style-type: none"> <li>i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.</li> <li>ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26.</li> <li>iii. Disclosures that identify and explain the amounts in the Hospital's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.</li> </ol>

*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.

**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.

**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 2024-2025 was approved by Board on 28<sup>th</sup> June, 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Hospital upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Hospital recorded additional appropriations of **Kshs (5,340,780)** being a reduction on the FY 24-25 budget following the Board's approval. The Hospital's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts, and the actuals as per the statement of cash flows.

**c. Biological Assets**

The Hospital recognizes biological assets when it controls the assets due to past events; it is probable that future economic benefits associated with the asset will flow to the Hospital, and when the fair value or cost of the asset can be measured reliably. Biological assets are initially and subsequently measured at fair value less costs to sell, except where fair value cannot be reliably determined. In such cases, the asset is measured at its cost less accumulated depreciation and any accumulated impairment losses. Changes in fair value less costs to sell are recognized in surplus/deficit in the period in which they occur.

**d. Financial instruments**

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

**Cheptal Level 3B Hospital (Bomet County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025**

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

**Financial assets**

**Classification of financial assets**

The 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 cash flows 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).

**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.

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. Social Benefits**

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The Hospital recognises a social benefit as an expense for the social benefit scheme at the

same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the Hospital will incur in fulfilling the present obligations represented by the liability.

**h. Contingent liabilities**

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

**i. Contingent assets**

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

**j. Nature and purpose of reserves**

The Hospital has not created nor maintains reserves in terms of specific requirements.

**k. 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.

**l. Employee benefits**

**Retirement benefit plans**

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

**Cheptalal Level 3B Hospital (Bomet County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025**

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

**m. 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.

**n. 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.

**o. Cash and cash equivalents**

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

**p. FY 2023-2024 figures**

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

**q. Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.

**5. Significant Judgments and Sources of Estimation Uncertainty**

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

**Estimates and assumptions.**

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

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

**Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 18. 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.

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**6. Transfers from the County Government**

Description	FY 2024 - 2025	FY 2023 - 2024
	KShs	KShs
<b>Unconditional grants</b>		
Operational grant	5,834,000	13,877,250
<b>Total government grants and subsidies</b>	<b>5,834,000</b>	<b>13,877,250</b>

**6 b Transfers from the County Government**

Name of the Entity sending the grant	Amount recognized to Statement of financial performance* KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	FY 2023-2024
			KShs	KShs	KShs
Bomet County Government	5,834,000	0	0	5,834,000	13,877,250
<b>Total</b>	<b>5,834,000</b>	<b>0</b>	<b>0</b>	<b>5,834,000</b>	<b>13,877,250</b>

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

Description	FY 2024 - 2025	FY 2023 - 2024
	KShs	KShs
Salaries and wages	83,718,936	
Medical supplies-Drawings Rights (KEMSA)	5,449,674	2,863,871.57
Pharmaceuticals and Non-Pharmaceutical Supplies – MEDS	0	363,915.55
Utility bills - KPLC	606,651	486,417
Laboratory Reagents including Truenat	2,201,934	4,853,916
<b>Total grants in kind</b>	<b>91,977,194.68</b>	<b>8,568,120.12</b>

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

Description	FY 2024 - 2025	FY 2023-2024
	Kshs	Kshs
Pharmaceuticals, non Pharms	201,820	
Health Records	64,410	
Laboratory	176,115	
Radiology- Ultrasound	41,900	
Dental services	86,135	
OPD, injections, dressings	7,650	560,676
NHIF	837,300	2,490,300
SHA	4,406,240	0
AON MINET	31,650	0
<b>Total revenue from the rendering of services</b>	<b>5,853,220</b>	<b>3,050,976</b>

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**9. Medical/ Clinical Costs**

Description	FY 2024 - 2025	FY 2023 - 2024
	Kshs	Kshs
Dental costs/ materials	-	41,500
Laboratory chemicals and reagents	2,305,434	4,853,916
Food and Ration	1,723,231	1,259,305
Uniform, clothing, and linen	0	56,600
Dressing and Non-Pharmaceuticals	1,463,954	1,434,900
Pharmaceutical supplies	5,449,674	3,227,787
Health information stationery	101,500	90,000
Sanitary and cleansing Materials	224,500	234,220
<b>Total medical/ clinical costs</b>	<b>11,268,293</b>	<b>11,198,228</b>

**10. Employee Costs**

Description	FY 2024 - 2025	FY 2023 - 2024
	Kshs	Kshs
Salaries, wages, and allowances	85,924,448	2,244,633
<b>Employee costs</b>	<b>85,924,448</b>	<b>2,244,633</b>

**11. Board of Management Expenses**

Description	FY 2024 - 2025	FY 2023-2024
	Kshs	Kshs
Sitting allowance	294,100	150,400
Airtime allowances	96,200	0
<b>Total</b>	<b>390,300</b>	<b>150,400</b>

**12. Depreciation and Amortization Expense**

Description	FY 2024 - 2025	FY 2023-2024
	Kshs	Kshs
Property	1,551,739	1,551,739
Plant	22,500	22,500
Equipment	2,143,058	2,144,982
Furniture and Fittings	43,320	43,320
<b>Total depreciation and amortization</b>	<b>3,760,617</b>	<b>3,762,541</b>

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**13. Repairs And Maintenance**

Description	FY 2024 - 2025	FY 2023 - 2024
	Kshs	Kshs
Property- Buildings - Renovations	309,650	296,396
Medical equipment	530,800	568,900
Office equipment	0	42,100
Furniture and fittings	35,000	328,110
Computers and accessories	0	19,000
Motor vehicle expenses	545,584	1,189,500
Maintenance of civil works	161,563	527,300
<b>Total repairs and maintenance</b>	<b>1,582,597</b>	<b>2,971,306</b>

**14. Grants And Subsidies**

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Other grants and subsidies- Kitale	252,000	504,000
<b>Total grants and subsidies</b>	<b>252,000</b>	<b>504,000</b>

**15. General Expenses**

Description	FY 2024 - 2025	FY 2023-2024
	Kshs	Kshs
Catering expenses	20,400	158,700
Bank charges	19,197	20,831
Electricity expenses	606,651	486,417
Fuel and Lubricants	241,000	436,400
Travel and accommodation allowance	774,900	2,205,000
Courier and postal services	9,450	9,450
Printing and stationery	133,500	190,800
Telephone and mobile phone services, TVs	200,220	0
Internet expenses, computer accessories	68,400	66,600
<b>Total General Expenses</b>	<b>2,073,718</b>	<b>3,574,198</b>

**16. Cash And Cash Equivalents**

Description	FY 2024 - 2025	FY 2023 - 2024
	KShs	KShs
Current accounts	23,049	4,176
<b>Total cash and cash equivalents</b>	<b>23,049</b>	<b>4,176</b>

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**16 (a). Detailed Analysis of Cash and Cash Equivalents**

Description		FY 2024 - 2025	FY 2023 - 2024
Financial institution	Account number	KShs	KShs
<b>a) Current account</b>			
Kenya Commercial bank	1108430333	1,995.80	584
Family Bank, etc	084000024564	21,052.97	3,592
<b>Grand total</b>		<b>23,048.77</b>	<b>4,176</b>

**17. Receivables from Exchange Transactions**

Description	FY 2024 – 2025	FY 2023 - 2024
	KShs	KShs
Medical services receivables- SHA	1,436,240	0
Medical services receivables- NHIF	3,007,500	2,691,020
Medical services receivables- AON	31,650	0
<b>Total receivables</b>	<b>4,475,390</b>	<b>2,691,020</b>

**17.a Analysis of Receivables From Exchange Transactions**

Description	FY 2024 - 2025		FY 2023-2024	
	Kshs		Kshs	
	FY 2024-2025	% of the total	FY 2023-2024	% of the total
Less than 1 year	2,247,890	51%	2,313,520	86%
Between 1- 2 years	1,850,000	41%	207,500	8%
Between 2-3 years	207,500	5%	170,000	6%
Over 3 years	170,000	3%	-	-%
<b>Total (a+b)</b>	<b>4,475,390</b>	<b>100%</b>	<b>2,691,020</b>	<b>100%</b>

**18. Receivables From Non-Exchange Transactions**

Description	FY 2024 - 2025	FY 2023-2024
	KShs	KShs
Transfers from the County Government	0	6,443,750
<b>Total</b>	<b>0</b>	<b>6,443,750</b>

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**18.a Analysis of Receivables From Non-Exchange Transactions**

Description	FY 2024 - 2025		FY 2023-2024	
	Kshs		Kshs	
	FY 2024-2025	% of the total	FY 2023-2024	% of the total
Less than 1 year	0	100%	6,443,750	100%
<b>Total (a+b)</b>	<b>0</b>	<b>100%</b>	<b>6,443,750</b>	<b>100%</b>

**19. Inventories**

Description	FY 2024 – 2025	FY 2023 - 2024
	KShs	KShs
Pharmaceutical supplies	1,438,632	1,416,816
Laboratory supplies	1,102,240	455,184
Food supplies, cutleries	153,790	45,912
Linen and clothing supplies	196,500	178,500
Cleaning materials supplies	14,100	15,350
General supplies	14,000	16,020
Less: provision for impairment of stocks	0	0
<b>Total</b>	<b>2,919,262</b>	<b>2,127,782</b>

**19.a Detailed disclosure on inventories**

	FY 2024-2025	FY 2023-2024
Opening balance	2,127,782	1,416,816
Additional Inventory in the year	9,892,168	11,389,020
Inventory expensed in the year	9,100,688	10,678,054
Write-downs in the year	-	-
Others specify	0	-
Closing balance	2,919,262	2,127,782

**20. Property, Plant and Equipment**

Description	Land	Buildings and Civil works	Furniture , fitting	ICT, medical , office Equipment	Plant	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
<b>Cost</b>						
At 1 July 2023 (previous year)	5,100,000	45,000,435	389,880	15,001,403	157,500	65,649,218
Additions	-	-	-	-	-	-

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Description	Land	Buildings and Civil works	Furniture , fitting	ICT, medical , office Equipment	Plant	Total
Disposals	(-)	(-)	(-)	(-)	(-)	(-)
Transfers/adjustments	-	-	-	-	-	(-)
Revaluation Adjustments	1,783,333	-	-	-	-	-
<b>At 30<sup>th</sup> Jun 2024</b>	<b>6,883,333</b>	<b>45,000,435</b>	<b>389,880</b>	<b>15,001,403</b>	<b>157,500</b>	<b>67,432,551</b>
At 1 July 2024 (current year)	6,883,333	45,000,435	389,880	15,001,403	157,500	67,432,551
Additions	-	-	-	-	-	-
Disposals	(-)	(-)	(-)	(-)	(-)	(-)
Transfer/adjustments	-	-	-	-	-	-
Revaluation Adjustments	-	-	-	-	-	-
<b>At 30<sup>th</sup> Jun 2025</b>	<b>6,883,333</b>	<b>45,000,435</b>	<b>389,880</b>	<b>15,001,403</b>	<b>157,500</b>	<b>67,432,551</b>
<b>Depreciation and impairment</b>						
At 1 July 2024 (previous year)	-	1,551,739	43,320	2,143,058	22,500	3,760,617
Depreciation for the year		1,551,739	43,320	2,143,058	22,500	3,760,617
Disposals		(-)	(-)	(-)	(-)	(-)
Impairment		(-)	(-)	(-)	(-)	(-)
<b>At 30 June 2025</b>		<b>3,103,478</b>	<b>86,640</b>	<b>4,286,115</b>	<b>45,000</b>	<b>7,521,233</b>
At July 2024 (current year)	6,883,333	45,000,435	389,880	15,001,403	157,500	67,432,551
Depreciation		1,551,739	43,320	2,143,058	22,500	3,760,617
Disposals		(-)	(-)	(-)	(-)	(-)
Impairment		(-)	(-)	(-)	(-)	(-)
Transfer/adjustment		-	-	-	-	(-)
<b>At 30<sup>th</sup> June 2025</b>	<b>6,883,333</b>	<b>43,448,696</b>	<b>346,560</b>	<b>12,858,345</b>	<b>135,000</b>	<b>63,671,934</b>
<b>Net book values</b>						
At 30 <sup>th</sup> Jun 2024 (previous)	6,883,333	45,000,435	389,880	15,001,403	157,500	67,432,551
At 30 <sup>th</sup> Jun 2025(current)	6,883,333	43,448,696	346,560	12,858,345	135,000	63,671,934

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**21. Biological Assets**

Description	FY 2024 - 2025	FY 2023-2024
	Kshs	Kshs
Trees in a plantation forest- Tea Bushes	73,350	73,350
<b>Total</b>	<b>73,350</b>	<b>73,350</b>

**22. Trade and other Payables**

Description	FY 2024 – 2025		FY 2023 - 2024	
	KShs		KShs	
Trade payables	2,763,529		5,819,046	
Employee dues	382,912		788,827	
<b>Total trade and other payables</b>	<b>3,146,441</b>		<b>6,607,873</b>	
<b>Ageing analysis:</b>	<b>FY 2024-25</b>	<b>% of the Total</b>	<b>FY 2023-24</b>	<b>% of the total</b>
Under one year	3,146,441	100%	6,607,873	100%
<b>Total</b>	<b>3,146,441</b>	<b>100%</b>	<b>6,607,873</b>	<b>100%</b>

**23. Cash Generated from Operations**

Description	FY 2024 - 2025	FY 2023-2024
	KShs	KShs
Surplus for the year before tax	(1,587,557)	(209,698)
<b>Adjusted for:</b>		
Depreciation	3,760,616	3,760,616
Non-cash grants received	-	(8,568,120)
<b>Working Capital adjustments</b>	<b>2,173,059</b>	<b>(5,017,202)</b>
Increase in inventory	(791,480)	(710,966)
Decrease in receivables	2,102,902	(5,316,620)
Increase in payables	(3,461,432)	2,831,189
<b>Net cash flow from operating activities</b>	<b>23,049</b>	<b>(8,211,674)</b>

**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 2024 (previous year)				
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	-	-
<b>Total</b>	<b>9,138,946</b>	<b>9,138,946</b>		
At 30 June 2025 (current year)				
Receivables from exchange transactions	4,475,390	4,475,390	-	-
Receivables from –non-exchange transactions	0	0	-	-
Bank balances	23,049	23,049	-	-
<b>Total</b>	<b>4,498,439</b>	<b>4,498,439</b>		

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

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the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2024</b>				
Trade payables	984,140	4,834,906	0	5,819,046
Employee Benefit Obligation	164,898	623,929		788,827
<b>Total</b>	<b>1,149,038</b>	<b>5,458,835</b>	<b>0</b>	<b>6,607,873</b>
<b>At 30 June 2025</b>				
Trade payables	1,174,452	983,933	605,144	2,763,529
Employee benefit obligation	155,606	89,760	137,546	382,912
<b>Total</b>	<b>1,330,058</b>	<b>1,073,693</b>	<b>742,690</b>	<b>3,146,441</b>

**(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.

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.

**a) Foreign currency risk**

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

Description	KShs	Other currencies	Total
	Kshs		Kshs
<b>At 30 June 2025</b>	0	0	0

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

Description	KShs	Other currencies	Total
	Kshs		Kshs
<b>At 30 June 2025</b>	0	0	0

**Foreign currency sensitivity analysis**

The following table demonstrates the effect on the hospital’s statement of financial performance on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

Description	Change in currency rate Kshs	Effect on Profit before tax Kshs	Effect on equity Kshs
<b>2024 (previous year)</b>			
Euro	10%		
USD	10%		
<b>2025 (current year)</b>			
Euro	10%		
USD	10%		

**b) Interest rate risk**

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

**Sensitivity analysis**

The Hospital analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

**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:

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Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Revaluation reserve	1,783,333	1,783,333
Retained earnings	(1,388,289)	
Capital reserve	67,766,500	
<b>Total funds</b>	<b>68,116,544</b>	
Total borrowings	0	
Less: cash and bank balances	23,049	( )
Net debt/ <i>(excess cash and cash equivalents)</i>		
<b>Gearing</b>	%	%

**25. Related Party Balances**

**Nature of related party relationships**

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

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

- i) The National Government;
- ii) The County Government;
- iii) Board of Management;
- iv) Hospital Management Team

Description	FY 2024 - 2025	FY 2023 - 2024
	Kshs	Kshs
<b>Transactions with related parties</b>		
<b>a) Services offered to related parties</b>		
Services to Bomet County	-	
<b>Total</b>	-	
<b>b) Grants from the Government</b>		
Grants from County Government	94,451,195	13,877,250
Grants from the National Government Entities- UHC	3,360,000	0
Donations in kind	0	8,568,120
<b>Total</b>	<b>97,811,195</b>	<b>22,445,370</b>

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Description	FY 2024 - 2025	FY 2023 - 2024
	Kshs	Kshs
<b>c) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for Bomet County employees	-	-
Payments for goods and services for		
<b>Total</b>		
<b>d) Key management compensation</b>		
Directors' emoluments	390,300	150,400
<b>Total</b>	<b>97,420,895</b>	<b>22,294,970</b>

**26. Segment Information**

**27. Events after the Reporting Period**

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

**28. Ultimate and Holding Hospital**

The Hospital is a County Corporation/ or a Semi- Autonomous Government Agency under the Department of Health Services. Its ultimate parent is the County Government of Bomet.

**29. Currency**

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

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**20. Appendices**

**Appendix 1: Progress on Follow Up of Auditor Recommendations**

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status	Timeframe
1	Inaccuracies in rendering of medical services income	Corrected	Resolved	FY 2025/2026
2	Inaccuracy of capital fund	Corrected	Resolved	FY 2025/2026
3	Inaccuracies in the statement of cash flows	Corrected	Resolved	FY 2025/2026
4	Inaccuracies in the statements of comparison of budget and actual amounts	Corrected	Resolved	FY 2025/2026
5	Unsupported in kind contribution from County Government	Supplied	Resolved	FY 2025/2026
6	Inaccuracies of receivables from exchange transactions	Corrected	Resolved	FY 2025/2026
7	Unsupported PPE	Corrected	Resolved	FY 2025/2026
8	Unsupported trade and other payables	Supplied	Resolved	FY 2025/2026
1	Irregular engagement and payment of casual wages	Responded	Not Resolved	FY 2025/2026
2	Service delivery gaps	Responded	Not Resolved	FY 2025/2026
3	Lack of approved annual budget	Supplied	Resolved	FY 2025/2026
1	Weak internal control in stores and inventory management	Responded	Not Resolved	FY 2025/2026
2	Lack of SOPs and policies	In progress	Not Resolved	FY 2025/2026
3	Weakness in revenue management system	Responded	Not Resolved	FY 2025/2026
4	Lack of internal Audit function and audit committee	In progress	Not Resolved	FY 2025/2026
5	Unconfirmed appointment and meetings of HMC	Responded	Resolved	FY 2025/2026
6	Use of Manual Accounting Records	In progress	Not Resolved	FY 2025/2026
7	Lack of risk management policy and disaster recovery plan	In progress	Not Resolved	FY 2025/2026

.....  
**Accounting Officer**

**Appendix II: Unresolved Prior Year Audit Matters**

<b>Number</b>	<b>Financial Year</b>	<b>Issue</b>
		<b>Report on the Financial Statements</b>
1	2023/2024	Inaccuracies in Comparative Balances
2	2023/2024	Inaccuracy of Transfers from the County Government
3	2023/2024	Unsupported In-Kind Contributions from the County Government
4	2023/2024	Inaccuracy of Rendering of Services – Medical Service Income
5	2023/2024	Unsupported Grants and Subsidies
6	2023/2024	Inaccuracy of Receivables from Exchange Transactions
7	2023/2024	Inaccuracy of Property, Plant and Equipment
8	2023/2024	Inaccuracy of Trade and Other Payables
		<b>Emphasis of Matter</b>
	2023/2024	Budgetary Control and Performance
		<b>Other Matter</b>
	2023/2024	Unresolved Prior Year Audit Matters
		<b>Report on Lawfulness and Effectiveness in the Use of Public Resources</b>
	2023/2024	Unbalanced Budget
		<b>Report on Effectiveness of Internal Controls, Risk Management and Governance</b>
1	2023/2024	Lack of Risk Management Policy
2	2023/2024	Lack of Internal Audit Function and Audit Committee

**Cheptalal Level 3B Hospital (Bomet County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025**

**Appendix III: Inter-Entity Confirmation Letter**

Name of Transferring Entity: County Government of Bomet

Name of Beneficiary Entity: Cheptalal Level 3 B Hospital

Confirmation of amounts received by Cheptalal Level 3B Hospital as at 30 <sup>th</sup> June,2025					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
FT242224B0ZL	9.8.24	1,288,750	0	1,288,750	
FT24229DJB5S	16.8.24	1,288,750	0	1,288,750	
FT24307DTPXR	1.11.24	2,169,250	0	2,169,250	
FT250499HK8F	18.2.25	1,087,250	0	1,087,250	
<b>Total</b>		<b>5,834,000</b>	<b>0</b>	<b>5,834,000</b>	

I confirm that the amounts shown above are correct as of the date indicated.

**Head of Accounts Department - Disbursing Entity: County Government of Bomet**

Name Ernak Mutar Sign [Signature] Date 21.7.2025

**Head of Accounts Department - Beneficiary Entity: Cheptalal Level 3 B Hospital**

Name Ngeno Peter Sign [Signature] Date 21.7.2025

