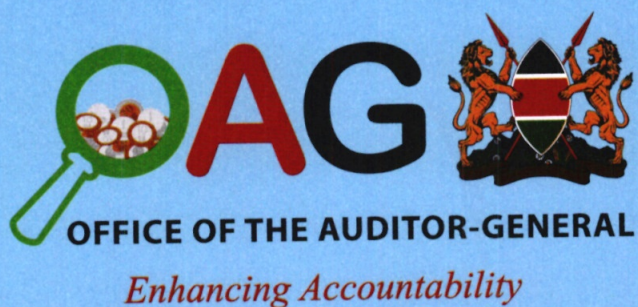


REPUBLIC OF KENYA



## REPORT



OF

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## THE AUDITOR-GENERAL

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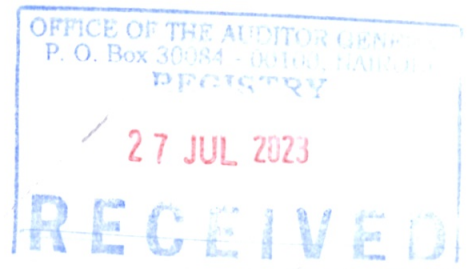
## KAPKATET SUB-COUNTY LEVEL 4 HOSPITAL

### FOR THE YEAR ENDED 30 JUNE, 2022

## COUNTY GOVERNMENT OF KERICHO



KERICHO COUNTY GOVERNMENT



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**KAPKATET LEVEL 4 HOSPITAL  
DEPARTMENT OF HEALTH SERVICES  
(KERICHO COUNTY GOVERNMENT)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

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

### **a. Background information**

Kapkatet is a high-volume level 4 facility in Kericho County, Bureti Sub-County under the department of health services. It started as a cottage hospital but was upgraded to the level of a district Hospital in 1998 when Bureti district was created. Before then it was a Sub District Hospital under Kericho District Hospital. The hospital is governed by a Hospital Management Team. It serves the population in Bureti sub county and the neighbouring counties; Bomet, Nyamira, Narok, Kisii and Nakuru Counties.

Currently it is an accredited teaching and referral hospital for University of Kabianga and Kapkatet MTC. The facility is a Medical and Clinical internship centre. The hospital has a total bed capacity of two hundred (247) It serves a catchment population of over 260,000 people. The hospital lies in a 13 acre piece of land.

### **b. Principal Activities**

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

#### **OUR VISION**

A prime hospital of choice in the country

#### **OUR MISSION**

To provide high quality accessible and acceptable health services and excellent training facilities

#### **OUR GOAL**

To provide excellent health services to our clients by continually developing the leaders, motivating an empowered well-equipped workforce, mobilizing and diligently utilizing resources and harnessing health information for better management.

#### **OUR CORE VALUES**

These values shall guide our character and behaviour:

- Compassion: we shall treat all our clients with empathy
- Integrity: we shall maintain high ethical conduct in all our dealings
- Professionalism: we shall be professional in all our dealings
- Punctuality: All our services will be timely
- Efficiency: We will be diligent in our resource utilization
- Effectiveness: we shall be responsive to our clients' needs
- Courtesy: we serve with humility
- Team work: Team work is our strength

**c. Key Management**

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

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

**d. Fiduciary Management**

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

No.	Designation	Name
1.	Medical Superintendent	Dr. Daniel Koech
2.	Deputy Medical Superintendent	Dr. George Muia
3.	Head of Finance	CPA Tonui Josphat Kipkoech
4.	Head of supply chain	Rolax Too
5.	Health Administrative Officer	Jonah Kurui
6.	Nursing service Manager	Caroline Ngelechei
7.	Clinical Services Manager	Grace Sang
8.	Pharmacist in-charge	Dr. Naibei Maraka

**e. Fiduciary Oversight Arrangements**

The key fiduciary oversight bodies at the County for the year ended 30th June 2021 were:

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

**Entity Headquarters**

P.O. Box 95 – 20214  
Kapkatet Market  
Kapkatet, KENYA

**(a) Entity Contacts**

Telephone: (+254) 718764641  
E-mail: kapkatethosp@gmail.com  
Website:

**(b) Entity Bankers**

Kenya Commercial Bank Limited  
Sotik Branch

**(c) Independent Auditors**

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

**(d) Principal Legal Adviser**

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

**(e) County Attorney**

P.O. Box 112  
Kericho, Kenya

**II. The Board of Management**

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

### III. Management Team

Ref	Management	Details
1.	Dr. Daniel Koech	The Overall In-charge of the hospital and the chair person to the Management Team
2.	Dr. George Muia	The Deputy In-charge of the hospital
3.	Mr. Jonah Kurui	The health Administrative Officer and Secretary to the management Team
4.	Caroline Ngelechei	Nursing officer In-charge
5.	Grace Sang	Clinical Officer In-charge
6.	Sarah Sigilai	Laboratory In-charge
7.	Dr. Wambugu Calvin	Imaging In-charge
8.	Mosbei Potter Choge	Plasta In-charge
9.	Angeline Towett	Physiotherapy In-charge
10.	Morintat Francis	Orthopaedics In-charge
11.	Richard Langat	Health Records In-charge
12.	Dr. Naibei Maraka	Pharmacy In-charge
13.	Tychicus Koech	Nutrition In-charge
14.	Lilian Too	Store In-charge
15.	Tonui Josphat	Accounts In-charge
16.	Rolax Too	Procurement In-charge
17.	Benard Langat	Biomedical In-charge
18.	Dr. Simon Siele	Dental In-charge

#### **IV. Chairman's Statement**

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

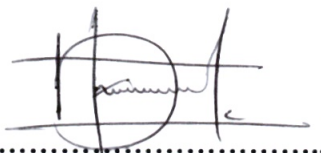
#### **V. Report of The Chief Executive Officer.**

Forward by the Medical Superintendent Kapkatet Hospital.

It is my pleasure to present the Kapkatet Hospital financial statements for the year ended 30th June 2022.

The financial statements present the financial performance of the Hospital over the last financial year.

The Hospital finances its operations through own generated revenues and support from the county Government of Kericho. The key local revenue sources for the Hospital are mainly user fees. The hospital continues to explore new and innovative ways of increasing its local revenue collections. Some of the steps among others that the County has taken towards improving its revenue collections include automation of revenue collection system and introduction of cash less mode of payment. During financial year 2021/2022 the hospital was able to generate a total of Ksh 145,141,812 as revenue from exchange transaction.



.....  
**Dr. Daniel Koech**  
**Medical Superintendent**  
**Kapkatet Hospital**

## **VI. Statement of Performance Against Predetermined Objectives**

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

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

Pillar /theme/issue 1: Improve revenue collection.

Kapkatet Hospital's revenue collection target was 145,334,000. Assessment of the Board's performance against its annual work plan was done on annually basis. The Hospital achieved its performance targets set for the FY 2021/2022 period as indicated in the diagram below:

<b>Strategic Pillar/Theme/Issues</b>	<b>Objective</b>	<b>Key Performance Indicators</b>	<b>Activities</b>	<b>Achievements</b>
Pillar/ theme/ issue 1:	Enhance revenue collection	Increase in revenue in comparison with the previous financial year	Fully implementation of enterprise support system	During the financial year 2021/2022 the hospital collected a total of Ksh 145,141,812

## **VII. Corporate Governance Statement**

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

## **VIII. Management Discussion and Analysis**

### **Clinical Performance**

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

**Kapkatet Hospital (Kericho County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2022**

laboratory, pharmacy and radiology. The hospital strives to ensure that the clinical services provided are safe, timely, appropriate, innovative, effective. The hospital patient attendance continues to increase despite the many challenges i.e. budgetary constraints and shortage of staff.

**Overall patient attendance**

The average patient attendance for the year 2021 -2022 FY was 169,316 both outpatients and in-patients, deliveries 4,183, caesarean Section 815 and others are as follows:

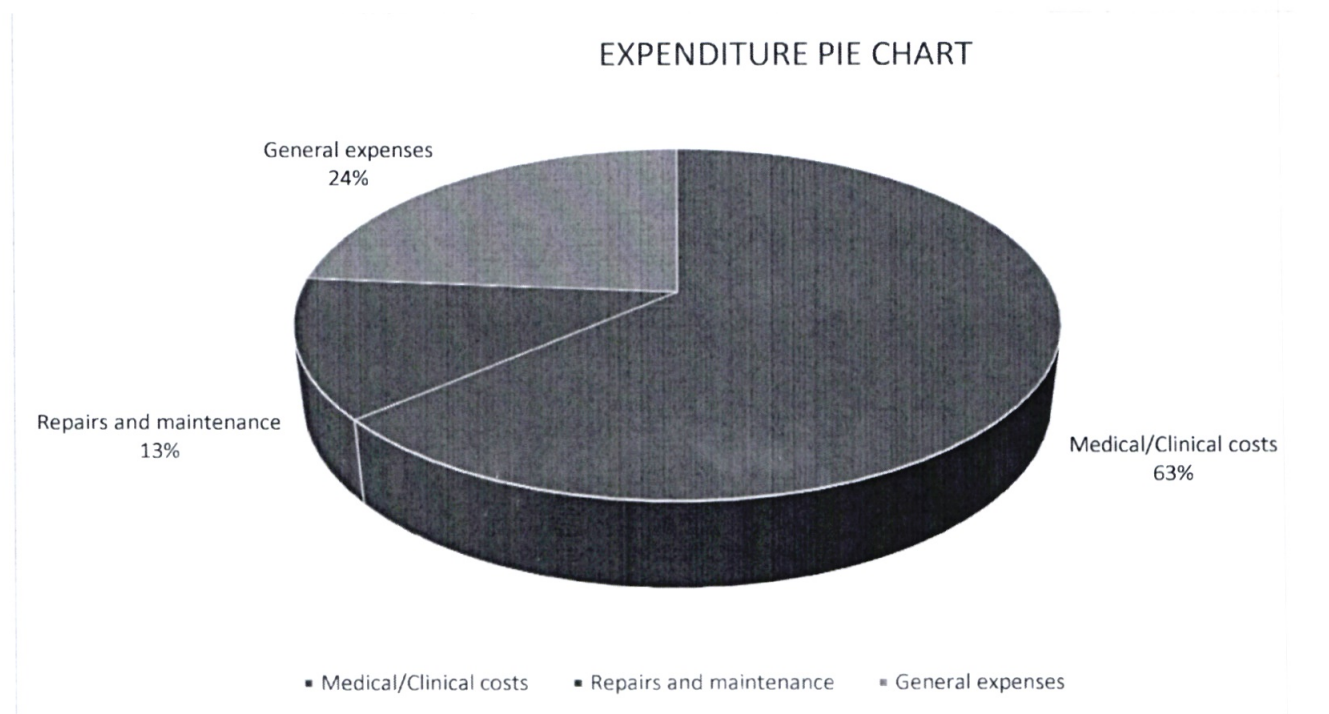
Particulars	Number
Bed capacity of the hospital	247
Overall patients attendance(Inpatient & Outpatient) during the year	169,316
Accidents and Emergency attendance	1,250
Specialised clinic attendance	31,541
Average length of stay for Inpatient	10 days
Bed occupancy rate	100%
Mortality rate	491 Deaths during the year
Surgical theatre utilization (number of operations during the year)	1,923
Sponsorships and partnerships	0

**Financial performance**

The Hospital revenue is mainly fee charged for services rendered. During the year under review, revenue available for spending was Kes.145,141,812.00. The breakdown of the amount is as follows:

S/NO.	DESCRIPTION	AMOUNT (KES)	AMOUNT (KES)
1.	Total revenue Collected within FY	127,642,670.00	
2.	NHIF AIEs within the FY	(22,755,437.00)	
3.	Transfers to county Revenue within the FY	<b>104,887,233.00</b>	104,887,233.00
4.	Transfers for 2020/2021 FY not received		17,499,142.00
5.	Payments Made Through IFMIS		(54,120,532.00)
6.	FIF AIES funded to the Hospital		(60,431,905.00)
7.	Balance receivable as AIEs from the County		<b>7,833,938.00</b>

The revenue generated during the period was utilized to fund hospital expenditure that totalled Kes.137,248,622.00. Funds utilization in the year under review and the expenditure trend are depicted in the charts below:



Expenditure Pie Chart

Out of the total expenditure, Kes.54,120,622.00 was paid through IFMIS special purpose account ND Kes. 83,128,090.00 was paid through hospital account number in Kenya commercial Bank (account number 1152282913).

## **IX. Environmental and Sustainability Reporting**

### **Environmental and sustainability.**

Clean water and sanitation: Learning to avoid wasting water.

Climate action: Acting now to stop global warming.

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

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

**Social Capital**

Employees are encouraged and supported to continually build on their skills and knowledge. The hospital invests in learning and development program for employees. These include courses on leadership, management and technical competencies relevant to each employee. The hospital was able to spend up to Kes.1,036,363 on trainings despite the financial constraints.

**Market place practices**

Responsible Supply chain and supplier relations.

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

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

There was no board during the year.

## XI. Responsibilities of Chief Officer Department of Health Services

Section 164 of the Public Finance Management Act, 2012 requires the Chief Officer Department of Health Services to prepare financial statements in respect of Kapkatet 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 entity for that year/period. The Chief Officer Health Services is also required to ensure that Kapkatet Hospital keeps proper accounting records which disclose with reasonable accuracy the financial position of Kapkatet Hospital. The council members are also responsible for safeguarding the assets of Kapkatet Hospital.

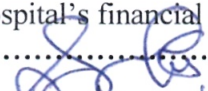
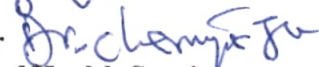
The Chief Officer Department of Health Services is responsible for the preparation and presentation of Kapkatet hospital's financial statements, which give a true and fair view of the state of affairs of the Hospital for and as at the end of the financial year (period) ended on June 30, 2022. This responsibility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

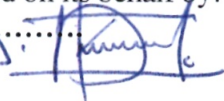
The Chief Officer accepts responsibility for Kapkatet Hospital's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner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

Nothing has come to the attention of the Chief Officer Department of Health Services to indicate that Kapkatet Hospital will not remain a going concern for at least the next twelve months from the date of this statement.

### Approval of the financial statements

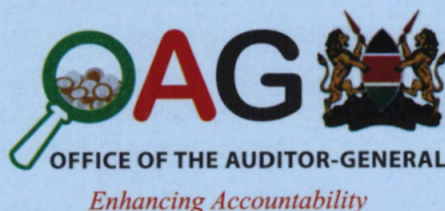
The Hospital's financial statements were approved on \_\_\_\_\_ and signed on its behalf by:

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

.....  
Name:   
Medical Superintendent

# REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke  
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Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

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

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

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

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Kapkatet Sub-County Level 4 Hospital – County Government of Kericho set out on pages 1 to 32 which comprise of the statement of financial position as at 30 June, 2022, statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of

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*Report of the Auditor-General on Kapkatet sub-county Level 4 Hospital for the year ended 30 June, 2022 - County Government of Kericho*

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 Kapkatet Sub-County Level 4 Hospital (County Government of Kericho) as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Health Act, 2017.

### **Basis for Qualified Opinion**

#### **1. Inaccuracies of Inventory Balance**

The statement of financial position reflects inventory balance of kshs.66,969,714. However, the respective Note 13 to the financial statements reflects a balance of Ksh.99,415,135 resulting to an unexplained variance of Ksh.32,445,421.

In the circumstances, the accuracy and completeness of the inventory balance of Kshs.66,969,714 could not be confirmed.

#### **2. Unsupported County Government in kind Contribution**

The statement of financial performance reflects County Government in-kind contribution amounts of kshs.4,613,280 as reflected in Note 19 to the financial statements. However, the supporting schedule was not provided for audit .

In the circumstances, the accuracy and completeness of County Government in-kind contribution amounts of kshs.4,613,280 could not be confirmed.

#### **3. Inaccuracies in the Statement of Financial Performance**

The statement of financial performance reflects rendering of services- medical service income of Kshs.145,141,812 which, as disclosed in Note 6 to the financial statements includes National Health Insurance Fund (NHIF) revenue of Kshs.68,369,018. However, the NHIF data provided for audit reflects Kshs.64,291,271 resulting to an unexplained variance of Kshs.4,077,747.

Further, rendering of services- medical service income includes Kshs.17,499,142 in respect to revenue related to 30 June, 2021 and Kshs.10,409,250 as receivables which were wrongly classified as part of revenue.

In the circumstances, the accuracy and completeness of the above mentioned amounts could not be confirmed.

#### **4. Non-disclosure of Employee Costs**

The statement of financial performance reflects Kshs.nil staff costs. However, the Hospital has one hundred and thirty-four (134) health service staff, thirteen (13) universal health coverage staff, eighty-one (81) county contract staff and forty-eight (48) FIF contract staff. Further, the Management did not provide the payroll for audit.

In the circumstances, the accuracy and completeness of nil employee cost could not be confirmed.

#### **5. Inaccuracies in Property, Plant and Equipment**

The statement of financial position reflects property, plant and equipment balance of Kshs.6,966,606 as disclosed in Note 14 to the financial statements. However, the balance was not supported by payment vouchers and procurement documents. Further, review of records revealed that the hospital had various assets which include land, buildings, furniture, computers and equipment which were not disclosed in the financial statements. In addition, ownership documents for the land and equipment were not provided for audit.

In the circumstances, the accuracy, ownership and existence of property, plant and equipment balance of Kshs.6,966,606 could not be confirmed

#### **6. Inaccuracies of the Accounts Receivables**

The statement of financial position reflects receivables from exchange transactions balance of Kshs.10,702,600 which, as disclosed in Note 12 in the financial statements relates to outstanding dues from National Health Insurance (NHIF) for more than twelve (12) months. However, the contract between the Hospital and NHIF indicates that the period to pay genuine claims is within 30 days of submission. In addition, the supporting schedules were not provided for audit review. Further, the undisbursed Facility Improvement Fund amount of Kshs.67,108,159 was not included as part of the receivables and there was no provision for doubtful debts despite the Hospital granting waivers to patients who are not able to settle their bills.

In the circumstances, the accuracy and completeness of receivables from exchange transactions balance of Kshs.10,702,600 could not be confirmed.

#### **7. Unsupported Cash and Bank Balance**

The statement of financial position reflects cash and cash equivalents balance of Kshs.89,312 as disclosed in Note 11 to the financial statements. However, the Board of cash survey report was not provided for audit.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.89,312 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kapkatet Sub-County Level 4 Hospital Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical

requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Key Audit Matters**

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

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES**

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Lack of Hospital Management Board**

Review of the Hospital records revealed that the County Executive Committee Member for Health had not appointed the Hospital Committee to oversee administration, promote the development, approve plans, programs, and estimates of the hospital. This is contrary to section 9(1) of the Kericho County Health Services Act, 2021.

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

#### **2. Delayed Disbursements of Funds**

Analysis of the cashbook and bank statements revealed that the Hospital generated own revenue amounting to Kshs.127,540,064 but only Kshs.60,431,905.00 was issued back as authority to incur expenditure resulting to a difference of Kshs.67,108,159 which was retained in the CRF account. In addition, the Hospital was granted autonomy to make payments starting month of April, 2022, two months to the closure of the financial year. This was contrary to Regulation 83(2b) of the Public Finance Management (County Governments) Regulations, 2015 which stipulates that sound cash management includes ensuring payments, including transfers to other levels of government and county-government entities are made when due for efficient, effective and economical programme delivery and the county government's normal terms for the account.

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

#### **3. Irregular Procurement of Pharmaceuticals**

The statement of financial performance reflects clinical costs of Kshs.87,212,071 as disclosed under note 7 to the financial statement. However, a sample of vouchers amounting to Kshs.31,985,005 revealed that the hospital procured goods using

procurement methods outside the procurement plan. Further, the hospital procured goods outside the threshold matrix requirements. This was contrary to section 45 (3a&b) of the Public Procurement and Asset Disposal Act 2015 states that all procurement processes shall be within the approved budget of the procuring entity and shall be planned by the procuring entity concerned through an annual procurement plan and undertaken by a procuring entity as per the threshold matrix prescribed.

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

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

A review of Hospital records revealed that the Hospital has one (1) anesthesiologist and one (1) radiologist against the required two (2) for each position. In addition, the Hospital lacked advanced life support, renal dialysis, six (6) functional intensive care unit beds, six (6) high dependency unit beds and at least five (5) dialysis machines required for a level 4 hospital. These deficiencies contravene the First Schedule of Health Act, 2017 and imply that accessing highest attainable standard of health, which includes the right to health care services, including reproductive health care as required by Article 43(1) of the Constitution of Kenya, 2010 may not be achieved.

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

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

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

#### **Conclusion**

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

#### **Basis for Conclusion**

##### **1. Lack of a Risk Management Policy**

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

In the circumstances, existence of effective risk management measures could not be confirmed.

## **2. Lack of Information Communication Technology ICT Policy Procedures and Controls**

Review of the Health's information technology systems revealed the Hospital has installed a structured cable network that provides network connectivity to various offices and student computer laboratory within the institution. The Hospital maintains its entire financial data on Microsoft Excel application on a standalone computer assigned to the finance officer. However, the Hospital did not have an approved IT policy for governance and management of its ICT resources. In addition, there is no ICT steering committee in place to assist in the development of ICT policy framework to enable the company to realize long-term ICT strategic goals. Lack of an approved IT policy may result in an unclear direction regarding maintenance of information security across the organization and safeguarding the Hospital's ICT assets. Further, without a sound and approved framework, users do not have any rules and procedures to follow in order to minimize risk of errors, fraud and the loss of data confidentiality, integrity and availability.

In the circumstances, existence of effective ICT controls 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 overall governance.

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

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

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

Those charged with governance is responsible for overseeing the Hospital's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes

and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

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

In addition to the audit of the financial statements, a compliance review is planned and performed to express a conclusion with limited assurance as to whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Hospital to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Hospital to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

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

**Nairobi**


**13 October, 2023**

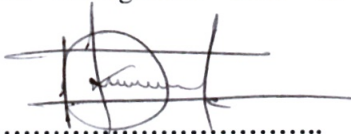
**XIII. Statements of Financial Performance for the Year Ended 30 June 2022**

Description	Notes	2021/22 Kshs
<b>Revenue from exchange transactions</b>		
Rendering of services- Medical Service Income	6	145,141,812.00
<b>Revenue from exchange transactions</b>		<b>145,141,812.00</b>
<b>County Government in Kind contribution</b>	19	<b>4,613,280.80</b>
<b>Total revenue</b>		<b>149,755,092.80</b>
<b>Expenses</b>		
Medical/Clinical costs	7	87,212,071.00
Repairs and maintenance	8	10,663,537.00
Property, Plant & Equipment	14	6,966,606.00
General expenses	9	32,468,189.80
<b>Total expenses</b>		<b>137,310,403.80</b>
<b>Other gains/(losses)</b>		
Medical services contracts Gains/Losses	10	(449,750.00)
<b>Total other gains/(losses)</b>		<b>(449,750.00)</b>
<b>Net Surplus for the year</b>		
Attributable to:		
Surplus/(deficit) attributable to minority interest		-
Surplus attributable to owners of the controlling entity		-
		<b>11,994,939.00</b>

The Hospital's financial statements were approved by the management team on \_\_\_\_\_ and signed on its behalf by:

  
.....  
**Chief Officer**  
Department of Health  
Services

  
.....  
**Head of Finance**  
ICPAK No:


  
.....  
**Medical Superintendent**

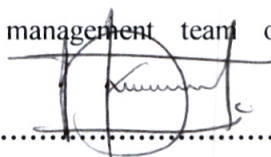
**Kapkatet Hospital (Kericho County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2022**  
**XIV. Statement of Financial Position as at 30th June 2022**

Description	Notes	2021/22 Kshs
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	11	89,312.14
Receivables from exchange transactions	12	10,702,600.00
Inventories	13	66,969,714.00
<b>Total Current Assets</b>		<b>77,761,626.14</b>
<b>Non-current assets</b>		
Property, plant, and equipment		-
<b>Total Non-current Assets</b>		-
<b>Total assets</b>		<b>77,761,626.14</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	15	11,983,939.00
Refundable deposits from customers/Patients	16	11,000.00
<b>Total Current Liabilities</b>		<b>11,994,939.00</b>
<b>Non-current liabilities</b>		-
<b>Total Liabilities</b>		<b>11,994,939.00</b>
<b>Net assets</b>		<b>65,766,687.14</b>
Accumulated surplus/Deficit		<b>11,994,939.00</b>
Capital Fund		-
<b>Total Net Assets and Liabilities</b>		<b>77,761,626.14</b>

The Hospital's financial statements were approved by the management team on \_\_\_\_\_ and signed on its behalf by:

  
 .....  
 ...  
**Chief Officer**

  
 .....  
 ...  
**Head of Finance**

  
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 ...  
**Medical Superintendent**

Department of Health  
 Services

ICPAK No:

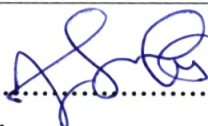
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*Kapkatet Hospital (Kericho County Government)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2022*


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

	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
<b>As at July 1, 2020</b>	-	-	-	-
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	-	-	-
Capital/Development grants	-	-	-	-
<b>As at June 30, 2021</b>	-	-	-	-
<b>At July 1, 2021</b>	-	-	-	-
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	11,994,939.00	-	11,994,939.00
Capital/Development grants	-	-	-	-
<b>At June 30, 2022</b>	-	11,994,939.00	-	<b>11,994,939.00</b>

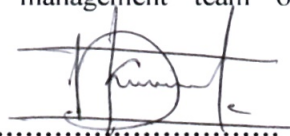
The Hospital's financial statements were approved by the management team on \_\_\_\_\_ and signed on its behalf by:

  
 .....

.....  
**Chief Officer**  
**Department of Health**  
**Services**

  
 .....

.....  
**Head of Finance**  
**ICPAK No:**

  
 .....

.....  
**Medical Superintendent**

*Kapkatet Hospital (Kericho County Government)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2022*


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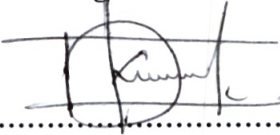
**XVI. Statement of Cash Flows for the Year Ended 30 June 2022**

Description	2021/22	
	Note	Kshs
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Rendering of services- Medical Service Income		145,141,812.00
<b>Total Receipts</b>		<b>145,141,812.00</b>
<b>Payments</b>		
Medical/Clinical costs	7	87,212,071.00
Repairs and maintenance	8	10,663,537.00
Property, Plant & Equipment	14	6,966,606.00
General expenses	9	32,468,189.80
Transfer to county revenue not refinanced		7,833,938.00
<b>Total Payments</b>		<b>145,144,341.80</b>
<b>Net cash flows from operating activities</b>	17	<b>(2,529.80)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant, equipment, & intangible assets		-
Proceeds from the sale of property, plant, and equipment		-
Acquisition of investments		-
<b>Net cash flows used in investing activities</b>		-
<b>Cash flows from financing activities</b>		-
Proceeds from borrowings		-
Repayment of borrowings		-
Capital grants received		-
<b>Net cash flows used in financing activities</b>		-
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(2,529.80)</b>
Cash and cash equivalents at 1 July 2021	11	91,841.94
<b>Cash and cash equivalents at 30 June 2022</b>	11	<b>89,312.14</b>

The notes set out on pages 16 to 38 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the management team on \_\_\_\_\_ and signed on its behalf by:

  
 .....  
 ....  
**Chief Officer**  
**Department of Health**  
**Services**

  
 .....  
 ....  
**Head of Finance**  
  
**ICPAK No:**


  
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 ....  
**Medical Superintendent**

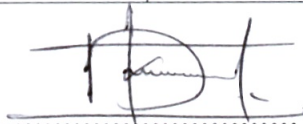
*Kapkatet Hospital (Kericho County Government)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2022*

**XVII. Statement of Comparison of Budget and Actual Amounts for The Year Ended 30 June 2022**

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	<b>a</b>	<b>b</b>	<b>c=(a+b)</b>	<b>d</b>	<b>e=(c-d)</b>	<b>f=d/c%</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	
<b>Revenue</b>						
Transfers from the County Government	-	-	-	-	-	-
Public contributions and donations	-	-	-	-	-	
County Government In kind contribution.	4,613,280.80		4,613,280.80	4,613,280.80	-	
Rendering of services- Medical Service Income	145,334,000.00	-	145,334,000.00	145,141,812.00	192,188.00	99.87%
<b>Total income</b>	<b>145,334,000.00</b>	<b>-</b>	<b>145,334,000.00</b>	<b>145,141,812.00</b>	<b>192,188.00</b>	<b>99.87%</b>
<b>Expenses</b>						
Medical/Clinical costs	88,825,000.00	-	88,825,000.00	87,212,071.00	1,612,929.00	98.18%
Employee costs	-	-	-	-	-	-
Remuneration of directors	-	-	-	-	-	-
Repairs and maintenance	10,840,000.00	-	10,840,000.00	10,663,537.00	328,857.00	98.17%
Grants and subsidies	-	-	-	-	-	-
General expenses	38,559,000.00	-	38,559,000.00	32,468,189.80	6,090,810.20	84.20%
Finance costs	-	-	-	-	-	-
Refunds	-	-	-	-	-	-
<b>Surplus for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,994,939.20</b>	<b>-</b>	<b>-</b>
<b>Capital expenditure</b>	<b>7,000,000.00</b>	<b>-</b>	<b>7,000,000.00</b>	<b>6,966,606.00</b>	<b>33,394.00</b>	<b>99.50%</b>

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 ....  
**Chief Officer**  
**Department of Health Services**

.....  
  
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**Head of Finance**  
**ICPAK No:**

.....  
  
 ....  
**Medical Superintendent**

## **XVIII. Notes to the Financial Statements**

### **1. General Information**

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

### **2. Statement Of Compliance and Basis of Preparation**

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

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

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

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

Standard	Effective date and impact:
	<p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity’s financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2023:</b></p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b></li> </ul> <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</p>

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 Entity.</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>

#### **4. Summary Of Significant Accounting Policies**

##### **a) Revenue recognition**

##### **i) Revenue from non-exchange transactions**

##### **Transfers from other Government entities**

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

##### **Revenue from exchange transactions**

**Rendering of services**

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

**Sale of goods**

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

**Interest income**

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

**Dividends**

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

**Rental income**

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

**b) Budget information**

The original budget for FY 2021/22 was approved by Chief Officer Health Service on 14<sup>th</sup> July 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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

**c) Taxes**

**Sales tax/ Value Added Tax**

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

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

**d) Investment property**

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

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

**e) Property, plant and equipment**

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

**f) Leases**

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

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

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

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

**g) Intangible assets**

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

**h) Research and development costs**

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

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

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

**i) Financial instruments**

## **Financial assets**

### **Initial recognition and measurement**

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

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

### **Loans and receivables**

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

### **Held-to-maturity**

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

### **Impairment of financial assets**

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

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

## **Financial liabilities**

### **Initial recognition and measurement**

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

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

### **Loans and borrowing**

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

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

### **i) Inventories**

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

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

- Raw materials: purchase cost using the weighted average cost method

➤ Finished goods and work in progress: cost of direct materials and labour, and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

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

#### **j) Provisions**

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

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

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

#### **Contingent liabilities**

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

#### **Contingent assets**

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

and the related revenue are recognized in the financial statements of the period in which the change occurs.

**k) Nature and purpose of reserves**

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

**l) Changes in accounting policies and estimates**

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

**m) Employee benefits**

**Retirement benefit plans**

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the

current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump-sum payments or increased future contributions on a proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**n) Foreign currency transactions**

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

**o) Borrowing costs**

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

**p) Related parties**

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

**q) Service concession arrangements**

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

**r) Cash and cash equivalents**

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

**s) Comparative figures**

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

**t) Subsequent events**

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

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

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

**Estimates and assumptions**

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

**Useful lives and residual values**

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

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

**Provisions**

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

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

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

<b>Description</b>	<b>2021/22</b>
	<b>KShs</b>
Imaging	7,030,610.00
In-Patient - Beds	3,796,940.00
Laboratory	9,579,126.00
Mortuary	3,281,000.00
Non- pharmaceuticals	3,707,055.00
Nursing Care	1,442,000.00
Plasta Services	1,059,820.00
Ambulance services	40,000.00
Casualty Services	1,680,800.00
Nutrition service	36,750.00
Out-patient injection & Dressing	102,430.00
Dental services	399,300.00
Medical Examination Services	50,550.00
Mental Health services	122,200.00
Rehabilitative services	351,100.00
Revolving Drug Fund	7,955,400.00
Record Services	5,640,590.00
Theatre services	2,392,240.00
NHIF Services	68,369,018.00
Britam Services	196,491.00
Receivables	10,409,250.00
Revenue related to 30 <sup>th</sup> June 2021	17,499,142.00
<b>Total revenue from the rendering of services</b>	<b>145,141,812.00</b>

**7. Medical/ Clinical Costs**

<b>Description</b>	<b>2021/22</b>
	<b>KShs</b>
Laboratory chemicals and reagents	6,581,467.00
Uniform, clothing, and linen	2,923,117.00
Dressing and Non-Pharmaceuticals	48,516,061.00
Pharmaceutical supplies	22,383,371.00

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Sanitary and cleansing Materials	895,650.00
Purchase of Medical gases	2,129,205.00
X-Ray/Radiology supplies	3,783,200.00
<b>Total medical/ clinical costs</b>	<b>87,212,071.00</b>

**8. Repairs And Maintenance**

Description	2021/22 KShs
Property- Buildings	2,280,842.00
Medical equipment	8,382,695.00
Computers and accessories	-
<b>Total repairs and maintenance</b>	<b>10,663,537.00</b>

**9. General Expenses**

Description	2021/22 KShs
Advertising and publicity expenses	-
Catering expenses	12,073,553.00
Bank charges	151,200.80
Consultancy fees	33,915.00
Contracted services	7,506,128.00
Electricity expenses	5,886,183.00
Travel and accommodation allowance	192,640.00
Courier and postal services	-
Printing and stationery	3,083,454.00
Refined fuel	2,171,188.00
Water and sewerage costs	-
Telephone and mobile phone services	150,000.00
Internet expenses	183,564.00
Staff training and development	1,036,364.00
<b>Total General Expenses</b>	<b>32,468,189.80</b>

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

Description	2021/22
	KShs
Comprehensive care contracts with NHIF	-
Non- Comprehensive contracts care with NHIF	-
Linda Mama Program	-
Waivers and Exemptions	449,759.00
<b>Total Gain/Loss</b>	<b>449,759.00</b>

**11. Cash And Cash Equivalents**

Description	2021/22
	KShs
Current accounts	89,312.14
On - call deposits	-
Fixed deposits accounts	-
Cash in hand	-
Others( <i>specify</i> )- Mobile money	-
<b>Total cash and cash equivalents</b>	<b>89,312.14</b>

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

Description	Account number	2021/22
Financial institution		KShs
a) <b>Current account</b>		
Kenya Commercial bank	1152282913	89,312.14
<b>Sub- total</b>		<b>89,312.14</b>
<b>Grand total</b>		<b>89,312.14</b>

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**12. Receivables From Exchange Transactions**

Description	2021/22
	KShs
Medical services receivables	10,702,600.00
Less: impairment allowance	-
<b>Total receivables</b>	<b>10,702,600.00</b>

**13. Inventories**

Description	2021/22
	KShs
Pharmaceutical supplies	95,163,190.00
Maintenance supplies	2,671,131.00
Linen and clothing supplies	980,390.00
Cleaning materials supplies	387,997.00
General supplies	212,427.00
Less: provision for impairment of stocks	-
<b>Total</b>	<b>99,415,135.00</b>

**14. Property, Plant and Equipment**

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
<b>Cost</b>								
At 1 July 2020	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-
<b>At 30<sup>th</sup> June</b>	-	-	-	-	-	-	-	-

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Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
<b>2021</b>								
At 1 <sup>st</sup> July 2021	-	-	-	-	-	-	-	-
Additions (Store)	-	-	-	-	-	-	6,966,606.00	6,966,606.00
Disposals	-	-	-	-	-	-	-	-
Transfer/adjustments		-		-			-	-
<b>At 30<sup>th</sup> June 2022</b>	-	-	-	-	-	-	-	-
<b>Depreciation and impairment</b>								
At 1 July 2020	-	-	-	-	-	-		-
Depreciation for the year	-	-	-	-	-	-		-
Disposals	-	-	-	-	-	-		-
Impairment	-	-	-	-	-	-	-	-
<b>At 30 June 2021</b>	-	-	-	-	-	-		-
At July 2021	-	-	-	-	-	-		-
Depreciation	-	-	-	-	-	-		-
Disposals	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
Transfer/adjustment		-	-	-	-	-	-	-
<b>At 30<sup>th</sup> June 2022</b>	-	-	-	-	-	-	<b>6,966,606.00</b>	<b>6,966,606.00</b>
<b>Net book values</b>								
At 30 <sup>th</sup> June	-	-	-	-	-	-	-	-

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Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
2021								
At 30 <sup>th</sup> June 2022	-	-	-	-	-	-	<b>6,966,606.00</b>	<b>6,966,606.00</b>

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**15. Trade And Other Payables**

Description	2021/22
	KShs
Trade payables	11,983,939.00
<b>Total trade and other payables</b>	<b>11,983,939.00</b>

**16. Refundable Deposits from Customers/Patients**

Description	2021/22
	KShs
Medical fees paid in advance	11,000.00
Credit facility deposit	-
Rent deposits	-
Others ( <i>specify</i> )	-
<b>Total deposits</b>	<b>11,000.00</b>

**17. Cash Generated from Operations**

Description	2021/22
	KShs
<b>Surplus for the year before tax</b>	<b>7,381,658.20</b>
<b>Adjusted for:</b>	
Waivers	449,750
Transfers to county not yet funded	(7,833,938.00)
Amount remitted for salary payments	
Impairment	-
Gains and losses on disposal of assets	-
Contribution to provisions	-
Contribution to impairment allowance	-
<b>Working Capital adjustments</b>	
Increase in inventory	-
Increase in receivables	-
Increase in deferred income	-
Increase in payables	-
Increase in payments received in advance	-
<b>Net cash flow from operating activities</b>	<b>(2,529.80)</b>

**18. Employee Costs**

Description	2021/22 KShs
Salaries, wages, and allowances	-
Contributions to pension schemes	-
Service gratuity	-
Performance and other bonuses	-
Staff medical expenses and Insurance cover	-
Group personal accident insurance and WIBA	-
Social contribution	-
Other employee costs ( <i>specify</i> )	-
<b>Employee costs</b>	-

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

Description	2021/22 KShs
Salaries and wages	-
Pharmaceutical and Non-Pharmaceutical Supplies	-
Medical supplies-Drawings Rights (KEMSA)	-
Utility bills	4,613,280.80
<b>Total grants in kind</b>	<b>4,613,280.80</b>

**20. Financial Risk Management**

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

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

**(i) Credit risk**

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2021</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from –non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>At 30 June 2022</b>				
Receivables from exchange transactions	10,702,600	10,702,600	-	-
Receivables from –non-exchange transactions	-	-	-	-
Bank balances	89,312.14	89,312.14	-	-
<b>Total</b>	<b>10,791,912.14</b>	<b>10,791,912.14</b>	<b>-</b>	<b>-</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

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amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has significant concentration of credit risk on amounts due from NHIF though they have never failed to service their debts.

**(ii) Liquidity risk management**

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2021</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2022</b>				
Trade payables	11,983,939.00	-	-	11,983,939.00
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	<b>11,983,939.00</b>	-	-	<b>11,983,939.00</b>

**(iii) Market risk**

The hospital has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market

prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

**Interest rate risk**

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

**Management of interest rate risk**

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

**iv)Capital Risk Management**

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

	2021/22
	Kshs
Revaluation reserve	-
Retained earnings	-
Capital reserve	-
<b>Total funds</b>	-
Total borrowings	-

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Less: cash and bank balances	(89,312.14)
Net debt/ (excess cash and cash equivalents)	-
<b>Gearing</b>	00%

**Notes to the Financial Statements (Continued)**

**21. Events After the Reporting Period**

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

**22. Ultimate And Holding Entity**

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

**23. Currency**

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