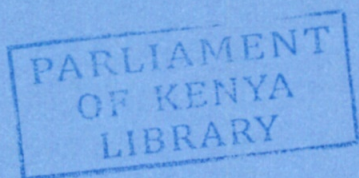


REPUBLIC OF KENYA



Enhancing Accountability



REPORT

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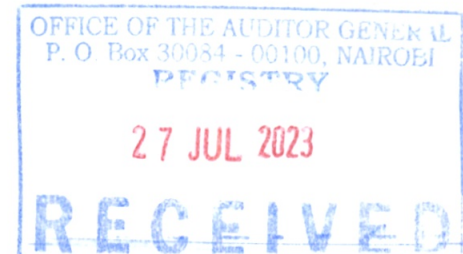
THE AUDITOR-GENERAL

ON

RORET SUB-COUNTY LEVEL 4 HOSPITAL

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

COUNTY GOVERNMENT OF KERICHO



KERICHO COUNTY GOVERNMENT

**RORET SUB-COUNTY HOSPITAL
LEVEL 4 HOSPITALS
(KERICHO COUNTY GOVERNMENT)**

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

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

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

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I. Key Entity Information and Management

(a) Background information

Roret Sub-County Hospital is a level 4 hospital and is domiciled in Kericho County Government under the Health Department. The hospital is governed by Health Management Team.

(b) Principal Activities

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

OUR VISION

To provide patient -centred healthcare with excellence in quality, service and access.

OUR MISSION

To provide high quality affordable and accessible health services.

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:

- Responsibility; We believe by taking ownership and commitment.
- Integrity: The quality of being honest and always having high moral principles.
- Accountability: willingness to explain and criticized for our own actions.
- Quality: Our focus on quality is immeasurable.
- Caring: We respect each other and care for the community where we live and work.

II. The board of management

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 30th June 2022 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Medical Superintendent	Dr. Collins Kirui
2	Administrator	Zipporah Jelangat
3.	Head of Accounts	Benard Bii
4.	Head of Supply chain	Irene Koech
5.	Head of Pharmacy	Wilson Serem
6	Head of Nursing	Benard Chepkwony
7	Head of laboratory	Daniel Mibei
8.	Head of Clinical Officers	Miriam Koskei
9	Head of Public Health	Prudence Chepngetich
10	Head of records	Beatrice Chebet
11	Head of Nutrition	Adelaide Orua
12	Head of imaging	Erick Ngetich

e. Fiduciary Oversight Arrangements

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

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

iii. **Entity Headquarters**

P.O. Box 64-20204
Roret Town
Kericho- Kisii Road
Roret , KENYA

iv. **Entity Contacts**

Telephone: (+254) 020-2669737
E-mail: roretsubchospital@gmail.com
Website: www.go.ke

v. **Entity Bankers**

Kenya Commercial Banks
Account number:1153068087

vi. **Independent Auditors**

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

vii. **Principal Legal Adviser**

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

viii. **County Attorney**

P.O. Box 112, 20200
Kericho, Kenya

III. Management Team

Ref	Management	Details
1.	Accounting officer/ Medical superintendent	Dr Collins Kirui
2.	Administrator	Zipporah Jelangat
3.	Head of Accounts	Benard Bii
4.	Head of Supply chain	Irene Koech
5.	Head of nursing	Benard Chepkwony
6.	Head of pharmacy	Wilson Serem
7.	Head of nutrition	Adelaide Orua
8.	Head of public health	Prudence Chepngetich
9.	Head of laboratory	Daniel Mibei
10.	Head of health records	Beatrice Chebet
11.	Head of imaging	Erick Ngetich

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 Roret sub-county Hospital.

Am humbly presenting financial statements of Roret Sub-County Hospital for the year ended 30th June 2022. The financial statements present the financial performance of the Hospital for financial 2021/2022. The Hospital finances its operations through own generated revenue that is Facility Improvement Fund, income from National hospital insurance fund 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 13,394,875.00 as revenue from exchange transaction.

The main activities in the last financial year at Roret Sub-County Hospital were mainly, provision of medical services which include consultation, laboratory services, radiology services, specialised clinic, Orthopaedic and trauma services, physiotherapy services, occupational therapy services, maternity services, antenatal services, post-natal services, minor surgery, CC Clinic.



.....
Dr. Collins Kirui
Medical Superintendent
Roret Sub-County Hospital

VI. Statement of Performance against Predetermined Objectives

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

Roret sub-county hospital has strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2021- FY 2022. These strategic pillars/ themes/ issues are as follows;

Pillar /theme/issue 1: Financing

Pillar/theme/issue 2: Human resource

Roret sub-county hospital develops its annual work plans based on the above *pillars/Themes/Issues*. Assessment of the HMT'S performance against its annual work plan is done on a quarterly basis. *Roret sub-county hospital* achieved its performance targets set for the FY 2021/2022 period for its strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar/ theme/ issue 1:	Financing	Revenue	Digitize collection of revenue	Technological achievements
Pillar/ theme/ issue 1:	Human resource	Workload	Staff Appraisals	Staff motivation

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

The facility manages to buy enough pharmaceuticals, non-pharmaceuticals, laboratory reagents, office stationeries, patients files, invoices, food rations, cleaning materials, and other required supplies.

We also manage to heed our target in terms of our revenue collection.

Clinical/operational performance

- Bed capacity of the hospital- Roret sub-county hospital has 30 bed capacity.
- Overall patient attendance during the year for both inpatient and outpatient – 15,677
- Accident and Emergency attendance- the hospital has casualty with orthopaedics and trauma units and radiology units.
- Specialised clinic attendance-we have MOPC on every Tuesday.
- Average length of stay for in patient -between 3-14 days
- Bed occupancy rate -50 patients per week.
- Mortality rate – there are rare mortalities occurrence.
- Surgical theatre utilisation (number of operations over a period of time)-Theatre and surgical wards are yet to be operational.
- Sponsorships and partnerships -we did not receive any sponsorship or partnership.

Financial performance that includes

- Revenue sources,
- Utilisation of funds etc

The Hospital revenue is mainly fee charged for services rendered. During the year under review, revenue and expenditure available for spending was as follows.

S/NO.	DESCRIPTION	AMOUNT (KES)
1.	Total revenue Collected within FY	13,394,875.00
2.	Total expenditure during the FY	12,190,933.00

IX. Environmental and Sustainability Reporting

Roret sub-county hospital exists to transform lives. It’s what guides us to deliver our strategy, putting the client/Citizen first, delivering health services, and improving operational excellence. Below is an outline of the organisation’s policies and activities that promote sustainability.

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 increase oxygen supply.

Social Capital

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

Market place practices

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.

There was no board of management during the financial year.

Principal activities

The principal activities of Roret sub-county hospital are to provide medical services to the patients and offer maternity services.

Results

The thousands of patients served are clear indication of the care, and support offered every day by the outstanding commitment of our staff. We are grateful to Roret Sub-County Hospital and the entire department of health of Kericho county government for the continued support towards realising the hospital's goals.

X. Report of The Board of Management

The members of the management who served during the year are shown on page vii.

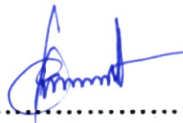
Auditors

The Auditor General is responsible for the statutory audit of the Roret sub-county hospital in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015

By Order of the Management



Name:
Chief Officer
County Health Department



Name: DR. KIRUI LOLOMA
Medical Superintendent

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 Roret Sub-County Hospital, which give a true and fair view of the state of affairs of the Roret Sub-County 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 Roret Sub-County hospital keeps proper accounting records which disclose with reasonable accuracy the financial position of Roret Sub-County hospital. The council members are also responsible for safeguarding the assets of Roret Sub-County Hospital.

The Chief Officer Department of Health Services is responsible for the preparation and presentation of Roret Sub-County hospital financial statements, which give a true and fair view of the state of affairs of the Roret Sub-County 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 Roret Sub-County (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

The Chief Officer accepts responsibility for Roret Sub-County Hospital 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 Roret Sub-County Hospital 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 Roret Sub-County 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 Roret Sub-County Hospital, which have been relied upon in the preparation of Roret Sub-County Hospital 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 Roret Sub-County Hospital will not remain a going concern for at least the next twelve months from the date of this statement.

Acknowledgment by Chief Officer, County Health Department

The number of patients served are clear indication of the care, and support offered every day by the outstanding commitment of our staff. We are grateful to the department of Health and the entire Kericho county government for the continued support towards realising our goals.

Approval of the financial statements

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

.....
Name: *A. S. Chemiso JK*
Chief Officer
Department of Health Services

.....
Name: *DR. KIRWI WOLLINS*
Medical Superintendent

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

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

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for 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 Roret Sub-County Level 4 Hospital - County Government of Kericho set out on pages 1 to 33, which comprise of the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the

statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

Basis for Qualified Opinion

1. Inaccuracies and Errors in Presentation of Financial Statements

The statement of financial performance reflects revenue from rendering of services of Kshs.13,394,875 while the statement of cash flows discloses an amount of Kshs.7,388,944, resulting in an unexplained variance of Kshs.6,005,931. Further, the statement of cash flows reflects an amount of Kshs.7,413,753 as the total amount of cash flows from operating activities instead of Kshs.7,388,944 resulting in an unexplained variance of Kshs.24,809.

In addition, the statement of cash flows reflects (Kshs.4,456,988) as the total net increase/decrease in cash and cash equivalents instead of (Kshs.5,056,988) resulting to an unexplained variance of Kshs.255,000.

Further, the statement of cash flows was not referenced to the notes to the financial statements and the expenditure variances above 10% were not explained in the statement of comparison of budget and actual amounts.

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

2. Unexplained Variance in National Health Insurance Fund (NHIF) Revenue

Note 6 to the financial statements reflects revenue from rendering of services of Kshs.13,394,875, which includes National Health Insurance Fund (NHIF) income of Kshs.10,081,560. However, the NHIF income differs with the NHIF paid claims amounting to Kshs.4,087,100 resulting to an unexplained variance of Kshs.5,994,460.

In the circumstances, the accuracy and completeness of National Health Insurance Fund income of Kshs.10,081,560 could not be confirmed.

3. Delayed Receipts of National Health Insurance Fund (NHIF) Claims

Note 12 to the financial statements reflects receivables from exchange transactions of Kshs.3,745,880 which relates to dues from National Health Insurance Fund (NHIF). The contract between the Hospital and NHIF indicates that the period for settlement of genuine claims is within 30 days of submission. However, the supporting schedules for

claims provided for audit verification do not indicate how long the claims had been outstanding.

In the circumstances, the accuracy and completeness of receivables from the exchange transactions of Kshs.3,745,880 could not be confirmed.

4. Unsupported Revenue from Rendering Services

The statement financial performance reflects rendering of services – medical income amount of Kshs.13,394,375 as disclosed in Note 6 to the financial statements. However, the incomes were presented as block amounts rather than in the respective streams as per the approved hospital service charter. In addition, revenue budget and schedules indicating the breakdown of the revenues were not provided for audit verification.

In the circumstances, the accuracy and completeness of revenue from exchange transactions amount of Kshs.13,394,375 could not be confirmed.

5. Non-disclosure of Employee Costs

The statement of financial performance and as disclosed under Note 8 to the financial statements, reflects employee costs of Kshs.2,236,719, which relates to salaries, wages and allowances for six (6) Facility Improvement Fund (FIF) contracted staff. However, the payroll for the contracted staff was not provided for audit verification. In addition, the hospital has twenty-seven (27) health service staff, four (4) universal health coverage staff and nineteen (19) county contracted staff whose expenditure was not included in the financial statements.

In the circumstances, the accuracy and completeness of employee costs of Kshs.2,236,719 could not be confirmed.

6. Undisclosed Property, Plant and Equipment

The statement of financial position and as disclosed in Note 14 to the financial statements, reflects property, plant and equipment balance of Kshs.255,000 relating to additional acquisition of ICT equipment. Review of records revealed that the hospital had various assets which include land, buildings, furniture, computers and equipment. However, the assets were not disclosed in the financial statements. Further, ownership documents for the land and equipment were not provided for audit review. As a result, plant, property and equipment are misstated.

In the circumstances, the accuracy, completeness, ownership and existence of property, plant and equipment balance could not be confirmed

7. Unsupported Opening Cash balances

The statement of cash flows reflects cash and cash equivalents balance of Kshs.4,879,222 as at July, 2021. However, the amount was not supported by a bank reconciliation statement, bank confirmation certificate and board of survey report.

In the circumstances, the accuracy and completeness of the opening balance of Kshs.4,879,222 could not be confirmed.

8. Unsupported Inventories

The statement of financial position and as disclosed under Note 13 to the financial statements, reflects inventories balance of Kshs.2,875,000. However, the balance was not supported by stock sheets and schedules. Further, the stock valuation report was not provided for audit verification.

In the circumstances, the accuracy and completeness of inventories balance of Kshs.2,875,000 could not be confirmed

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Roret 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.

Other Matter

Budgetary Control and Performance

The summary statement of comparison of the budget and actual amounts reflects the final revenue budget of Kshs.13,394,875 against actual on a comparable basis of Kshs.12,224,577 resulting in an under-funding of Kshs.1,170,298. Further, the statement indicates that Kshs.12,224,577 was raised as revenue but the actual expenditure incurred was Kshs.11,940,933 as indicated in the statement of financial performance hence exceeding the budget by Kshs.283,644. In addition, the budget provided did not include a breakdown of revenue streams.

In the circumstances, Management did not exercise prudence in the management of revenue advanced to the hospital.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Lack of Hospital Management Board

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

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

2. Delay in Disbursements of Funds

Analysis of the cashbook and bank statements revealed that the hospital generated its own revenue amounting to Kshs.13,394,875 but only Kshs.5,389,972 or 40% was returned to the Hospital as part of the Authority to Incur Expenditure, implying that a balance of Kshs.8,004,903 or 60% was held back in the County Revenue Fund (CRF) account. In addition, the Hospital started to make payments during the month of April, 2022 for a period of only three months before the close of the financial year. Management did not explain the delayed funding or failure to disburse the entire Kshs.13,394,875. This was contrary Regulation 83(2b) of Public Finance and Management (County Governments) Regulations, 2015 which states 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. Inadequacies in Implementation of Universal Health Care (UHC)

Review of Hospital records and interviews revealed that the hospital has eighteen (18) staff against the required seventy-five (75) staff in seven (7) positions, resulting to a staff deficit of fifty-seven (57) staff. In addition, the Hospital lacked advanced life support, six (6) functional intensive care unit beds, six (6) high dependency unit beds and at least five (5) dialysis machines required for a level 4 hospital. Further, the Hospital had nil new born unit incubators cots instead of the required five (5) cots while only three (3) new born unit cots were at the Hospital instead of five (5). This was contrary to the First Schedule of Health Act, 2017 and accessing highest attainable standard of health, which includes the right to health care services, including reproductive health care as required by Article 43(1) of the Constitution of Kenya, 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 there was no Risk Management Policy. This was contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires each county government entity to develop risk management strategies and a system of risk management to enable the county to identify and develop appropriate risk strategies in order to improve on effective and efficient management of public resources.

In the circumstances, the effectiveness of risk management the Hospital's operations could not be confirmed.

2. IT Internal Control Weakness

It was observed that the Hospital does not have an ICT strategic committee, ICT strategic plan, or an ICT policy. In addition, the hospital does not have a disaster recovery and business continuity plan and an offsite backup plan in case of any emergencies/disasters.

In the circumstances, the effectiveness of internal controls on data recovery and business continuity as well as effectiveness of risk management could not be confirmed.

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

Responsibilities of Management and the Board of Management

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

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance 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 control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that

might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control 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

12 October, 2023

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


Description	Notes	2021/2022 kshs
Revenue from non-exchange transactions		
Transfers from the County Government		-
In-kind contributions from the County Government	5	5,403,292.38
Grants from donors and development partners		-
Transfers from other Government entities		-
Public contributions and donations		-
		-
Revenue from exchange transactions		
Rendering of services- Medical Service Income	6	13,394,875.00
Revenue from rent of facilities		-
Finance /Interest Income		-
Other income (<i>specify</i>)		-
		-
Revenue from exchange transactions		-
Total revenue		18,798,167.38
Expenses		
Medical/Clinical costs	7	7,425,553.00
Employee costs	8	2,236,719 .00
Board of Management Expenses		-
Depreciation and amortization expense		-
Property, plant and equipment		
Repairs and maintenance	9	250,000.00
Grants and subsidies		

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


General expenses	10	2,278,661.00
Total expenses		12,190,933.00
Other gains/(losses)		
Gain on disposal of non-Current assets		-
Unrealized gain on fair value of investments		-
Medical services contracts Gains/Losses		-
Impairment loss		-
Gain on foreign exchange transactions		-
Total other gains/(losses)		-
Net Surplus for the year		6,607,234.38
Attributable to:		-
Surplus/(deficit) attributable to minority interest		-
Surplus attributable to owners of the controlling entity		-

(The notes set out on pages 9 to 33 form an integral part of the Annual Financial Statements.)


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



Chief officer
 Health services



Head of Finance
 ICPAK No:



Medical Superintendent

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

Description	Notes	2021/22 Kshs
Assets		
Current assets		
Cash and cash equivalents	11	332,234.38
Receivables from exchange transactions	12	3,745,880.00
Receivables from non-exchange transactions		-
Inventories	13	2,875,000.00
Total Current Assets		6,953,114.00
Non-current assets		
Property, plant, and equipment	14	255,000.00
Intangible assets		-
Investment property		-
Total Non-current Assets		-
Total assets		7,208,114.38
Liabilities		
Current liabilities		
Trade and other payables	15	600,880.00
Refundable deposits from customers/Patients		-
Provisions		-
Finance lease obligation		-
Current portion of deferred income		-
Current portion of borrowings		-
Total Current Liabilities		600,880.00
Non-current liabilities		
Provisions		-
Non-Current Finance lease obligation		-
Non-Current portion of deferred income		-
Non - Current portion of borrowings		-
Service concession liability		-
Total Non-current liabilities		-
Total Liabilities		600,880.00


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


Description	Notes	2021/22 KSh
Net assets		6,607,234.38
Revaluation reserve		-
Accumulated surplus/Deficit	15	6,607,234.38
Capital Fund		
Total Net Assets and Liabilities		7,208,114.38

(The notes set out on pages 9 to 33 form an integral part of the Annual Financial Statements.)

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


.....
Chief officer
Health services


.....
Head of Finance
ICPAK No:


.....
Medical Superintendent

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

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


	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2020	-	-	-	-
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	-	-	-
Capital/Development grants	-	-	-	-
As at June 30, 2021	-	-	-	-
At July 1, 2021	-	-	-	-
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year		6,607,234.38	-	6,607,234.38
Capital/Development grants		-		
At June 30, 2022		6,607,234.38		6,607,234.38

(The notes set out on pages 9 to 33 form an integral part of the Annual Financial Statements.)

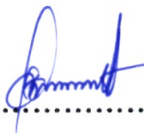
The Hospital's financial statements were approved by the HMT on _____ and signed on its behalf by:



Chief officer
Health services



Head of Finance
ICPAK No:



Medical Superintendent

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

Description	Note	2021/2022
		Kshs
Cash flows from operating activities		-
Receipts		-
Transfers from the County Government		-
Grants from donors and development partners		-
Transfers from other Government entities		-
Public contributions and donations		-
Rendering of services- Medical Service Income	5	7,388,944.00
Finance / interest income		-
Other receipts (<i>specify</i>)		-
Total Receipts		7,413,753.00
Payments		
Medical/Clinical costs	6	7,425,553.00
Employee costs	7	2,236,719.00
Board of Management Expenses		
Repairs and maintenance	8	250,000.00
Grants and subsidies		
General expenses	9	2,278,661.00
Refunds paid out		
Total Payments		12,190,933.00
Net cash flows from operating activities		(4,801,988.00)
Cash flows from investing activities		
Purchase of property, plant, equipment, & intangible assets		(255,000.00)
Proceeds from the sale of property, plant, and equipment		
Acquisition of investments		
Net cash flows used in investing activities		(255,000.00)
Cash flows from financing activities		
Proceeds from borrowings		-
Repayment of borrowings		-
Capital grants received		-
Net cash flows used in financing activities		-
Net increase/(decrease) in cash and cash equivalents		(4,546,988.00)


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

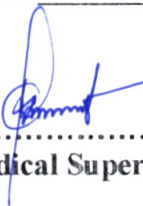
Cash and cash equivalents at 1 July 2021	4,879,222.38
Cash and cash equivalents at 30 June 2022	332,234.38

Roret sub-county hospital used direct method of cashflow statement preparation as per IPSAS2 and PSASB recommendation.

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


.....
Chief Officer
Health services


.....
Head of Finance
ICPAK No:


.....
Medical Superintendent

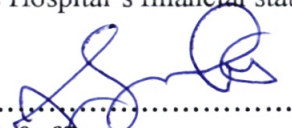
XVII. Statement Of Comparison of Budget and Actual Amounts For The Year Ended 30 June 2022

Description	Original Budget	Adjusted Budget	Final Budget	Actual on comparable basis	Performance Difference	% of Budget
	A	B	c=(a+b)	D	e=(c-d)	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Transfers from the County Government	-	-	-	-	-	%
Grants from donors and development partners	-	-	-	-	-	%
Transfers from other Government entities	-	-	-	-	-	%
Public contributions and donations	-	-	-	-	-	%
Rendering of services- Medical Service Income	13,100,000.00	0	13,394,875.00	12,224,577	875,423	93.32 %
Revenue from rent of facilities	-	-	-	-	-	%
Other receipts (specify)	-	-	-	-	-	%
Total income	13,100,000	-	13,394,875.00	294,875.00		92.49 %
Expenses						
Medical/Clinical costs	8,000,000	0	7,425,553.00	7,425,553.00	0	89.02 %
Employee costs	2,236,719	0	2,236,719	2,236,719.00	0	100% %
Remuneration of directors						%
Repairs and maintenance						%
Grants and subsidies						%
General expenses	2,863,281	0	2,278,661.00	2,278,661.00	0	97.45 %
Finance costs						%


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

Refunds						%
Surplus/deficit for the period	-	-	-	332,234	0	%
Capital expenditure						%

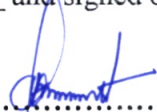
The Hospital's financial statements were approved by the HMT on _____ and signed on its behalf by:



Chief officer
Health services



Head of Finance
ICPAK No:



Medical Superintendent

Notes to the Financial Statements

1. General Information

Roret sub-county hospital entity is established by and derives its authority and accountability from PFM Act 2012. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to provide medical assistance to the citizens.

2. Statement of Compliance and Basis of Preparation

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

The financial statements have been prepared in accordance with the PFM Act 2012 and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

IPSASB deferred the application date of standards from 1st January 2022 owing to corona virus disease of 2019 (Covid 19). This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

Notes to the Financial Statements (Continued)

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

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

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

	<p>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>
<p>IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

ii. Early adoption of standards

The entity did not early – adopt any new or amended standards in the year 2021/2022.

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.

Notes to the Financial Statements (Continued)

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.

Notes to the Financial Statements (Continued)

b) Budget information

The original budget for FY 2021/2022 was approved by Board at the beginning of financial year 2021/2022. 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.

Notes to the Financial Statements (Continued)

c) Taxes

Sales tax/ Value Added Tax

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

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

d) Investment property

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

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a period of *one* year. 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.

Notes to the Financial Statements (Continued)

f) Leases

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the 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

Notes to the Financial Statements (Continued)

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.

Notes to the Financial Statements (Continued)

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the 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.

Notes to the Financial Statements (Continued)

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.

Notes to the Financial Statements (Continued)

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

Contingent liabilities

The 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.

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.

l) 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.

Notes to the Financial Statements (Continued)

m) 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.

n) 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.

o) 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.

p) 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.

Notes to the Financial Statements (Continued)

q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank. Bank account balances include amounts held at the Kenya commercial bank at the end of the financial year

Comparative figures

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

r) 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.

1. 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)

Notes to the Financial Statements (Continued)

Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by the 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.

5. In Kind Contributions from The County Government

Description	2021/22 KShs
Salaries and wages	2,236,719.00
IFMIS payments	3,166,573.38
Total grants in kind	5,403,292.38

6. Rendering of Services-Medical Service Income

Description	2021/22 KShs
Pharmaceuticals	966,020.00
Non-Pharmaceuticals	469,055.00
Laboratory	991,400.00
Radiology	355,990.00
Orthopedic and Trauma Technology	26,740.00
Theatre	-
Accident and Emergency Service	-
Anesthesia Service	-
Ear Nose and Throat service	-
Nutrition service	-
Cancer centre service	-
Consultation/registration fee	504,110.00
Dental services	-
Reproductive health	-
Paediatrics services	-
Farewell home services	-
Opening balances	
NHIF	10,081,560.00
Total revenue from the rendering of services	13,394,375.38

Notes to the Financial Statements (Continued)

7. Medical/ Clinical Costs

Description	2021/22 KShs
Dental costs/ materials	-
Laboratory chemicals and reagents	1,111,931.00
Public health activities	-
Food and Ration	1,120,600.00
Uniform, clothing, and linen	-
Dressing and Non-Pharmaceuticals	2,317,141.00
Pharmaceutical supplies	2,585,081.00
Health information stationery	249,000.00
Reproductive health materials	-
Purchase of Medical gases	-
X-Ray/Radiology supplies	41,800.00
Other medical related clinical costs (<i>specify</i>)	-
Total medical/ clinical costs	7,425,553.00

8. Employee Costs

Description	2021/22 KShs
Salaries, wages, and allowances	2,236,719.00
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>)	-
Employee costs	2,236,719.00

Notes to the Financial Statements (Continued)

9. Repairs and Maintenance

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Description	2021/22 KShs
Property- Buildings	
Servicing of generator	150,000.00
Electrical and and fittings	100,000.00-
Total repairs and maintenance	250,000.00

Notes to the Financial Statements (Continued)

10.General Expenses

Description	2021/22 KShs
Advertising and publicity expenses	-
Catering expenses	-
Waste management expenses	-
Insecticides and rodenticides	-
Audit fees	-
Bank charges	64,421.00
Conferences and delegations	-
Consultancy fees	-
Contracted services	-
Electricity expenses	-
Insurance	-
Research and development expenses	-
Travel and accommodation allowance	664,800.00
Legal expenses	-
Licenses and permits	-
Courier and postal services	-
Printing and stationery	604,440.00
Fuel	680,000.00
Generator servicing	150,000.00
Electricals & fittings	100,000.00
Computer accessories	
Hire charges	-
Rent expenses	-
Water and sewerage costs	-
Skills development levies	-

Roret sub-county Hospital (Kericho County Government)
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Description	2021/22 KShs
Telephone and mobile phone services	15,000.00
Internet expenses	-
Staff training and development	-
Subscriptions to professional bodies	-
Subscriptions to newspapers periodical, magazines, and gazette notices	-
Library books/Materials	-
Parking charges	-
Total General Expenses	2,278,661.00

Notes to the Financial Statements (Continued)

11. Cash and Cash Equivalents

Description	2021/22 KShs
Current accounts	332,234.38
On - call deposits	-
Fixed deposits accounts	-
Cash in hand	-
Others(<i>specify</i>)- Mobile money	-
Total cash and cash equivalents	332,234.38

Notes to the Financial Statements (Continued)

Detailed Analysis of Cash and Cash Equivalents

Description	2021/22 KShs
Financial institution	Account number
a) Current account	
Kenya Commercial bank	1153068087
Sub- total	
b) On - call deposits	
Kenya Commercial bank	
Equity Bank –	
Sub- total	
c) Fixed deposits account	
Bank Name	

Roret sub-county Hospital (Kericho County Government)
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Sub- total		
d) Others(specify)		
cash in hand		
Mobile money- Mpesa, Airtel money		
Sub- total		332,234.38
Grand total		332,234.38

12.Receivables from Exchange Transactions

Description	2021/22
	KShs
Medical services receivables	3,745,880.00
Rent receivables	-
Other exchange debtors	-
Less: impairment allowance	-
Total receivables	3,745,880.00

13.Inventories

Description	2021/22
	KShs
Pharmaceutical supplies	1,637,500 -
Non pharmaceutical supplies	1,237,500
Total	2,875,000.00

Roret sub-county Hospital (Kericho County Government)
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Notes to the Financial Statements (Continued) 14. Property, Plant and Equipment

Particulars	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Cost											
At 1 July 2020	-	-	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-	-	-	-
At 30th June 2021	-	-	-	-	-	-	-	-	-	-	-
At 1 st July 2021	-	-	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	255,000.00-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-	-	-	-
At 30th June 2022	-	-	-	-	255,000.00	-	-	-	-	-	-
Depreciation and impairment											
At 1 July 2020	-	-	-	-	-	-	-	-	-	-	-

Roret sub-county Hospital (Kericho County Government)
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Description							
Depreciation for the year	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
At 30 June 2021	-	-	-	-	-	-	-
At July 2021	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-
At 30th June 2022	-	-	-	-	255,000	-	-
					.00-		
Net book values	-	-	-	-	-	-	-
At 30 th June 2021	-	-	-	-	-	-	-
At 30 th June 2022	-	-	-	-	255,000	-	-
					.00-		

NOTE: County government of Kericho is in the process of valuing the properties, plant and equipments for Roret sub-county hospital. However, the hospital did acquire during the financial year under review

Notes to the Financial Statements (Continued)

15. Trade and Other Payables

Description	2011/12
Trade payables	600,880.00
Employee dues	-
Third-party payments (<i>unremitted payroll deductions</i>)	-
Audit fee	-
Doctors' fee	-
Total trade and other payables	600,880.00

15. Cash Generated from Operations

Surplus for the year	2011/12
Adjusted for:	-
Depreciation	-

Non-cash grants received	-
Impairment	-
Gains and losses on disposal of assets	-
Contribution to provisions	-
Contribution to impairment allowance	-
Working Capital adjustments	-
Increase in inventory	2,875,000.00
Increase in receivables	(3,745,880.00)
Increase in deferred income	-
Increase in payables	600,880.00
Increase in payments received in advance	-
Net cash flow from operating activities	332,234.38

Notes to the Financial Statements (Continued)

18. 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:

Notes to the Financial Statements (Continued)

	Total amount		Collateral
		Kshs	Kshs
At 30 June 2020	-	-	
Receivables from exchange transactions	-	-	
Receivables from –non-exchange transactions	-	-	
Bank balances	-	-	
Total	-	-	
At 30 June 2022	-	-	
Receivables from exchange transactions	3,745,880.00	3,745,880.00	
Receivables from –non-exchange transactions	-	-	
Bank balances	332,234.38	332,234.38	

Total	4,078,114.38	4,078,114.38		
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The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the 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.

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

(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.

Notes to the Financial Statements (Continued)

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.

17.Events After The Reporting Period

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

18.Ultimate And Holding Entity

Roret sub-county hospital is a State Corporation/ or a Semi- Autonomous Government Agency under the County Government of Kericho.
Its ultimate parent is the Government of Kenya.

19.Currency:

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