

REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**KIPKELION LEVEL 4 SUB-COUNTY HOSPITAL**

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

**COUNTY GOVERNMENT OF KERICHO**

MEMBERS LAID	
DATE	6/12/2023
TABLED BY	Deputy Senate Majority Whop
COMMITTEE	-
AT THE TABLE	A. Madair

OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30284 - 00100, NAIROBI  
KENYA  
04 AUG 2023  
RECEIVED



COUNTY GOVERNMENT OF KERICHO

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**Kipkelion Sub County Hospital  
(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)**

  
MINISTRY OF PUBLIC HEALTH & SANITATION  
DISTRICT MEDICAL OFFICER OF HEALTH  
  
KIPKELION DISTRICT  
P. O. Box 70 - 20202, KIPKELION.  
TEL: 020 - 2568190



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

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

**I. Key Entity Information and Management**

**(a) Background information**

Kipkelion West Sub County Hospital is a level (4) hospital and is domiciled in Kericho County. The hospital is governed by a Hospital Management Team (HMT).

**(b) Principal Activities**

The principal activity/mission/ mandate of the hospital is to provide affordable and quality health care

**(c) Key Management**

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

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

**(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	<b>Mr. Weldon Mitei</b>
2.	Head of finance	<b>Mrs. Daisy kilel</b>
3.	Head of supply chain	<b>Mr. Kenneth Kipkoech</b>
4.	Hospital Administrator	<b>Mrs. Evaline Koskei</b>
5.	Nursing Officer in charge	<b>Mrs. Martha Chepkwony</b>
6	Pharmacy in charge	<b>Mrs. Mary Kimaiyo</b>
7	Nutrition in charge	<b>Mr. Nicholus Komosi</b>

**(e) Fiduciary Oversight Arrangements**

- Clinical Research and Standards Committee.
- Anti-corruption committee
- Waiver Committee
- Mortality committee

**(f) Entity Headquarters**

Kipkelion Sub County Hospital  
P.O. Box 70-20202, Kipkelion Kenya  
OPP Taita Towett High School Building  
Kipkelion-Kaplaba Road/Highway  
KIPKELION, KENYA

**(g) Entity Contacts**

Mobile phone: (+254) 720 585 246  
E-mail: kipkelionhospital@gmail.com  
Website: www.go.ke

**(h) Entity Bankers**

Kenya Commercial Bank;  
Account Number-1153321130,  
Kericho Branch

**(i) Independent Auditors**

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

**(j) Principal Legal Adviser**

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

**(k) County Attorney**

Mr. Mutai  
Kericho County Government  
P.O. Box.112-20202  
Kericho, Kenya

**II. The Board of Management-**

<b>Ref</b>	<b>Directors</b>	<b>Details</b>
	The hospital currently doesn't have a board of management	

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

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**III. Report from medical superintendent**

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

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

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

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


As we move forward, let us remember that our hospital community is built on trust, compassion, and a shared vision. By supporting one another, embracing change, and

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

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

Warm regards



.....  
MR Weldon Mitei  
Medical Superintendent  
Kipkelion Sub County Hospital

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

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**IV. Management Team**

<b>Ref</b>	<b>Management</b>	<b>Details</b>
1.	Mr. Weldon Mitei; Registered Clinical Officer	Authority To Incur expenditure Holder/ Medical Superintendent
2.	Mrs. Daisy Kilel	Accountant
3.	Mr. Kenneth Kipkoech	Procurement in charge
4.	Mrs. Mary Kimaiyo	Pharmacy in charge
5.	Mrs. Martha Chepkwony	Nursing Officer in charge
6.	Mrs. Evaline Koskei	Health Administrator
7.	Mr. Nicholus Komosi	Nutritionist in charge

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

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**V. Report of The Chief Executive Officer/ medical Superintendent**

The Medical Superintendent was able to buy essential non pharmaceuticals, pharmaceuticals', laboratory reagents, food rations, Fuel for generator, ambulance, waste burning and lawn mower, pay utilities (power, internet, System and water), Daily subsistence allowance, pay casual wages, stationary and cleansing materials as per the vote heads.

In addition, the hospital managed to provide quality and affordable health care to its citizens including timely referrals. The hospital managed to provide various timely reports as needed by the county and the national government.

The medical superintendent highly appreciated all the hospital staff for timely discharge of services and their unwavering cooperation with his office whenever called upon during the entire fiscal year.

Finally, i wish to thank sincerely the Chief Officer-Health Services, Kericho county and the entire Executive for the on-going projects like completion of surgical wards, and other planned projects like theatre, borehole drilling.

However, NHIF remittances were not fully funded thus causing delays in meeting its financial obligations but the hospital remained steadfast in utilizing the available resource envelope.

**Acknowledgment**

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 the department of Health and the entire County Government of Kericho for the continued support towards realising our goals.

**VI. Corporate Governance Statement**

The hospital doesn't have a board of management

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.

**Kipkelion Sub-County Hospital (Kericho County Government)**  
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## VII. Management Discussion and Analysis

### Clinical Performance

Kipkelion sub county hospital continues to provide a range of healthcare services to its patients. The health care services include, outpatient clinics, inpatient care for deliveries. The hospital also provides clinical support services in outpatient, comprehensive care centre, antenatal and post-natal care under Linda Mama Program for laboratory and pharmacy. 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. Our partners includes Kenya Commercial Bank-kericho Branch, Kenya Medical Training College Campuses, National Health insurance Fund, Local Churches e.g. AGC (Africa Gospel Church). AIC (Africa Inland Church), CATHOLIC, Walter Reed/ Pefpar

### Overall patient attendance

Bed capacity of the hospital.	6
Overall patient attendance during the year for both inpatient and outpatient.	21,182
Accident and Emergency attendance	121
Specialised clinic attendance(Comprehensive care centre)	3,377

### Financial performance

The Hospital revenue is mainly fee charged for services rendered. During the year under review, revenue available for spending was Kes 9,410,817.00. The breakdown of the amount is as follows:

S/NO.	DESCRIPTION	AMOUNT (KES)	AMOUNT (KES)
1.	Total revenue Collected within FY	1,072,404.00	
2.	NHIF Received within the FY	8,338,413.00	
3.	Transfers to county Revenue within the FY	5,799,013.00	5,799,013.00
4.	Payments Made Through IFMIS		(1,304,179.75)
5.	Payment made through Hospital account		(2,852,549.00)

**Kipkelion Sub-County Hospital (Kericho County Government)**  
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The revenue generated during the period was utilized to fund hospital expenditure that totalled Kes 7,997,143.60 Funds utilization in the year under review.

**VIII. Environmental and Sustainability Reporting**

**Social Capital**

Employees are encouraged and supported to continually build on their skills and knowledge.

The hospital invests in learning and development program for employees. These include courses on leadership, management and technical competencies relevant to each employee.

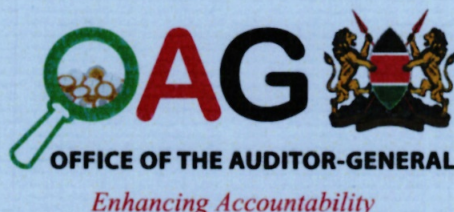
**Market place practices**

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

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

# REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



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

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

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### 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 the 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 Kipkelion Level 4 Sub-County Hospital set out on pages 2 to 30, which comprise of the statement of financial position

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*Report of the Auditor-General on Kipkelion Level 4 Sub County Hospital for the year ended 30 June 2022 - County Government of Kericho*

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 the Kipkelion Level 4 Sub County 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 in the in the Financial Statements**

The annual reports and the financial statements prepared and presented for audit had the followings errors: -

- i. The financial statements do not include the chairman's statement which highlights key activities during the year, successes consolidated, challenges being faced, and the way forward or future outlook for the hospital and should be signed by the chairman of the governing body;
- ii. The report of the Health Management Committee/Board of Management was not signed by the secretary to the Board;
- iii. The statement of the Board of Management responsibilities that includes approval of the financial statements and signed by the chairperson to the Board of Management and the accounting officer was missing;
- iv. The financial statements do not include Projects Implemented by the entity in the table that summarizes the status of project completion at the end of each quarter, i.e. total costs incurred, stage in which the project is at;
- v. Notes 14, 15, 16 and 17 to the financial statements are not aligned to the numbering in the statement of financial position; and
- vi. Revenue transferred of Kshs.5,799,013 reflected in the statement of financial performance was not referenced by way of Notes to the financial statements.

In the circumstances, the financial statements are not fairly presented in accordance with Paragraph 27 of International Public Sector Accounting Standards (IPSAS 1).

## **2. Long Outstanding Receivables from Exchange Transactions**

The statement of financial position reflects receivables from exchange transactions balance of Kshs.192,350 as disclosed in Note 14 to the financial statements. Review of records revealed that the amount has been outstanding for over one (1) year. However, there was no evidence to indicate that proper mechanisms had been put in place by Management to recover these long overdue debts.

In the circumstances, the accuracy and recoverability of receivables from exchange transactions of Kshs.192,350 as at 30 June, 2022 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kipkelion Level 4 Sub-County 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 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. Non-Compliance with Requirements on Universal Health Care (UHC)

Review of Hospital records and interviews revealed the following deficiencies in the implementation of Universal Health Care programme: -

- i. Only twelve (12) staff against the required one hundred and one (101) staff in seven (7) positions, resulting to unexplained variance of eighty-nine (89) staff;
- ii. The Hospital did not have functional departments of Medicine, Surgical, Pediatric, In-patients, Radiology, Renal dialysis, Tuberculosis management, Mortuary and autopsy services, Advanced life support and Laboratory services of Lab class D;
- iii. There were only three (3) beds against the required one hundred and fifty (150) beds and only one (1) Resuscitative bed against the required three (3) beds. Further New Born Unit Incubator was one (1) and one (1) cot against the required five (5) Incubators and five (5) cots; and
- iv. The hospital did not have any functional intensive care unit bed and High dependency Unit bed against six (6) of each, neither was there a Renal unit with at least 5 dialysis machines nor the required two (2) functional operating theaters Maternity and general ward.

These deficiencies contravene the First Schedule of Health Act, 2017 and implies that accessing highest attainable standard of health, which includes the right to health care services, 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 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 an Internal Audit Function**

During the year under review, Management did not have an internal audit function and no risk assessment was performed. This was contrary to Section 155(5) of Public Finance Management Act, 2012 which stipulates that a county government entity shall maintain internal auditing arrangements, and shall ensure that it complies with this Act and (a) has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board was not followed.

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

### **2. Lack of Policies and Manuals**

During the year under review, Management had not established key policies and manuals including Human Resource Policy and Procedures Manual, Finance and Accounting Manual, Assets Management Policy, Transport Management Policy, Risk Management Policy, Business continuity policy among others

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

### **3. Failure to Maintain Asset Register**

During the under review, Management did not a maintain a fixed asset register detailing dates of acquisition, location, depreciation, unique identification number, disposal among other details.

In the circumstances, the effectiveness of internal controls on maintaining of fixed asset register could not be confirmed.

### **4. Failure to Maintain Unique Official Email Address**

During the year under review, the Hospital did not have an official email address but uses Gmail as the domain address as required by the provisions of Circular SH/ADM/23(1) from the Head of Public Service dated 14 June, 2022.

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

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

## **Responsibilities of Management and the Hospital Management Committee**

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 activities, financial transactions and information reflected in the financial statements are in compliance, with the authorities which govern them, and that public resources are applied in an effective way.

The Hospital Management Committee 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 audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in

an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls 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 non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Hospital to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Hospital to express an opinion on the financial statements.
- Perform such other procedures, as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi


27 September, 2023


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

**IX. Statement of Financial Performance for the Year Ended 30 June 2022**

Description	Notes	2021/22
		Kshs
<b>Revenue from exchange transactions</b>		
Transfer from the county Government	5	1,015,576.00
In-kind contribution from the county Government	6	4,737,519.00
Rendering of services- Medical Service Income	7	9,410,817.00
<b>Revenue from exchange transactions</b>		<b>15,163,912.00</b>
<b>Total revenue</b>		
<b>Expenses</b>		
Medical/Clinical costs	8	1,650,598.00
Repairs and maintenance	9	394,640.50
Employee cost	10	3,433,339.25
General expenses	11	2,518,565.85
<b>Total expenses</b>		<b>7,997,143.60</b>
<b>Other gains/(losses)</b>		
Medical services contracts Gains/Losses	12	2,300.00
Revenue transferred		5,799,013.00
<b>Total other gains/(losses)</b>		<b>(5,801,313.00)</b>
<b>Net Surplus for the year</b>		<b>1,365,455.40</b>
		<b>1,365,455.40</b>

The Hospital's financial statements were approved on 30.06.2022 and signed on its behalf by:

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

  
 .....  
**Head of Finance**  
**ICPAK No:29926**

  
 .....  
**Medical Superintendent**

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

**X. 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	13	1,033,083.00
Receivables from exchange transactions	14	192,350.00
Inventories	15	2,185,087.00
<b>Total Current Assets</b>		<b>3,410,520.00</b>
<b>Non-current assets</b>		
Property, plant, and equipment	16	234,388.00
Intangible Assets	17	464,184.00
<b>Total Non-current Assets</b>		<b>698,572.00</b>
<b>Total assets</b>		<b>4,109,092.00</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables		-
Refundable deposits from customers/Patients		-
<b>Total Current Liabilities</b>		
<b>Non-current liabilities</b>		-
<b>Total Liabilities</b>		-
<b>Net assets</b>		<b>4,109,092.00</b>
Accumulated surplus/Deficit		1,365,455.40
Capital Fund		2,743,637.00
<b>Total Net Assets and Liabilities</b>		<b>4,109,092.00</b>

The Hospital's financial statements were approved by the Board on 30.06.2022 and signed on its behalf by:

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

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

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

**Department of Health  
 Services**

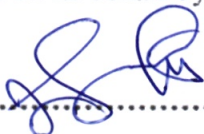
**ICPAK No:29926**


**Kipkelion Sub-County Hospital (Kericho County Government)**  
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**XI. Statement of Changes in Net Asset for The Year Ended 30 June 2022**

	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
<b>At July 1, 2021</b>	-	-	-	-
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	1,365,455.40	2,743,637.00	4,109,092.00
Capital/Development grants	-			
<b>At June 30, 2022</b>	-	1,365,455.40	2,743,637.60	4,109,092.00

The Hospital's financial statements were approved by the Board on 30.06.2022 and signed on its behalf by:

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

  
 .....  
 ....  
**Head of Finance**  
**ICPAK No:29926**

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

**Kipkelion Sub-County Hospital (Kericho County Government)**  
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**XII. Statement of Cash Flows for The Year Ended 30 June 2022**

Description	No te	2021/22 Kshs
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Rendering of services- Medical Service Income	7	9,410,817.00
AIE Fundings		1,015,576.00
In kind contribution	6	4,737,519.00
<b>Total Receipts</b>		<b>15,163,912.00</b>
<b>Payments</b>		
Medical/Clinical costs	8	1,650,598.00
Repairs and maintenance	9	394,640.50
Employee costs	10	3,433,339.25
General expenses	11	2,518,565.85
Transfer to county revenue		5,799,013.00
<b>Total Payments</b>		<b>13,796,156.60</b>
<b>Net cash flows from operating activities</b>	18	<b>1,367,756.00</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant, equipment, & intangible assets	16	(234,388.00)
Intangible assets	17	(464,184.00)
<b>Net cash flows used in investing activities</b>		<b>(698,572.00)</b>
<b>Cash flows from financing activities</b>		-
Proceeds from borrowings		-
Repayment of borrowings		-
Deposits		
<b>Net cash flows used in financing activities</b>		<b>669,184.00</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		
Cash and cash equivalents at 1 July 2021	14	363,899.00
<b>Cash and cash equivalents at 30 June 2022</b>	13	<b>1,033,083.00</b>

The Hospital's financial statements were approved by the Board on 30.06.2022 and signed on its behalf by

.....  
 Chief Officer  
 Department of Health  
 Services

.....  
 Head of Finance

ICPAK No:

.....  
 Medical Superintendent

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

**XIII. 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 utilization
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
<b>Revenue</b>						
Transfers from the County Government	1,015,576.00	-	1,015,576.00	1,015,576.00	0.0	100%
In-kind contribution	5,940,779.00	-	5,940,779.00	5,940,779.00	0.0	
Rendering of services- Medical Service Income	9,396,779.00	-	9,396,779.00	9,396,779.00	0.0	100%
<b>Total income</b>	<b>16,353,134.00</b>	<b>-</b>	<b>16,353,134.00</b>	<b>16,353,134.00</b>	<b>0.0</b>	<b>100%</b>
<b>Expenses</b>						
Medical/Clinical costs	1,650,598.00	-	1,650,598.00	1,650,598.00	0.0	100%
Employee costs	3,433,339.25	-	3,433,339.25	3,433,339.25	0.0	100%
Repairs and maintenance	394,640.50	-	394,640.50	394,640.50	0.0	100%
Transfer to county Government	5,799,013.00	-	5,799,013.00	5,799,013.00	0.0	100%
General expenses	2,502,018.00	-	2,502,018.00	2,502,018.00	0.0	100%
Finance costs	-	-	-	-	-	-
<b>Total Expenses</b>	<b>13,779,608.25</b>	<b>-</b>	<b>13,779,608.25</b>	<b>13,779,608.25</b>	<b>0.0</b>	<b>100%</b>
<b>Surplus for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,129,893.80</b>	<b>-</b>	<b>-</b>
<b>Capital expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>99.50%</b>

.....  
 Chief Officer  
 Department of Health  
 Services

.....  
 Head of Finance  
 ICPAK No:29926

.....  
 Medical Superintendent

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

##### **1. General Information**

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

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

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

The financial statements have been prepared in accordance with the PFM Act and 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.

**Kipkelion Sub-County Hospital (Kericho County Government)**  
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**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> <p>(b) The key features of the operation of those social benefit schemes; and</p>

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	(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><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>
Other improvements to IPSAS	<p><i>Applicable 1<sup>st</sup> January 2023</i></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22</i> Disclosure of Financial Information about the General Government Sector. Amendments to refer to the latest System of National Accounts (SNA 2008).</li> <li>• <i>IPSAS 39</i>: Employee Benefits Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</li> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b> 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.</li> </ul>
IPSAS 43	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that</p>

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

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

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

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

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

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

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**Revenue from exchange transactions**

**Rendering of services**

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

**Sale of goods**

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

**Interest income**

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

**Dividends**

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

**Rental income**

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

**b) Budget information**

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

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

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

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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.

**Kipkelion Sub-County Hospital (Kericho County Government)**  
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**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

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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.

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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.

**Kipkelion Sub-County Hospital (Kericho County Government)**  
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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

**Kipkelion Sub-County Hospital (Kericho County Government)**  
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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

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with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**r) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

**s) Subsequent events**

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

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

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

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future

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developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. (IPSAS 1.140)

**Useful lives and residual values**

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

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

**Provisions**

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

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

**5. Transfer from the County Government**

Description	2021/2022
	Kshs
Transfer from the County Government	1,015,576.00
<b>Total transfers from the County Government</b>	<b>1,015,576.00</b>

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

Description	2021/22
	KShs
Salaries and wages	3,433,339.25
IFMIS payments	1,304,179.75
Medical supplies-Drawings Rights (KEMSA)	-
Utility bills	-
<b>Total grants in kind</b>	<b>4,737,179.75</b>

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

Description	2021/22
	KShs
Pharmaceuticals	392,714
Medical examination	0
Laboratory	393,850
Registration	272,400
Dressing	5,200
Injection	250
OPD minor theatre	7,200
Pharmacy RDF	790
<b>Total revenue from rendering of services(NHIF)</b>	<b>8,338,413.00</b>
<b>Total revenue from the rendering of services</b>	<b>9,410,817.00</b>

**8. Medical/ Clinical Costs**

Description	2021/22
	KShs
Laboratory chemicals and reagents	421,262.00
Uniform, clothing, and linen	101,519.00
Dressing and Non-Pharmaceuticals	377,055.00

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Pharmaceutical supplies	750,762.00
<b>Total medical/ clinical costs</b>	<b>1,650,598.00</b>

### 9. Repairs and Maintenance

Description	2021/22
	KShs
Property- Buildings	394,640.50
Medical equipment	0
Computers and accessories	0
<b>Total repairs and maintenance</b>	<b>394,640.50</b>

### 10. EMPLOYEE COSTS

	2021-2022
	KShs
Salaries and wages	3,433,339.25
<b>Employee costs</b>	<b>3,433,339.25</b>

### 11. General Expenses

Description	2021/22	2020/21
	KShs	KShs
Food and ration	860,370.00	
Bank charges	115,193	
Electricity expenses	78,537.00	
Travel and accommodation allowance	394,200.00	
Electricals/Hardware	129,233.00	
Printing and stationery	342,884.85	
Refined fuel	598,148.00	
<b>Total General Expenses</b>	<b>2,518,565.85</b>	

### 12. Medical Services Contracts Gains /Losses

Description	2021/22
	KShs

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Comprehensive care contracts with NHIF	-
Non- Comprehensive contracts care with NHIF	-
Linda Mama Program	-
Waivers and Exemptions	2,300.00
<b>Total Gain/Loss</b>	<b>2,300.00</b>

**13. Cash and Cash Equivalents**

Description	-
	KShs
Current accounts	1,033,083.00
<b>Total cash and cash equivalents</b>	<b>1,033,083.00</b>

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

Description		2021/22
Financial institution	Account number	KShs
a) Current account 1 <sup>st</sup> July 2021		363,899.00
Kenya Commercial bank	1152768719	1,033,083.00
<b>Sub- total</b>		
<b>Grand total</b>		<b>1,033,083.00</b>

**15. Receivables from Exchange Transactions**

Description	2021/22
	KShs
Medical services receivables	192,350.00
Less: impairment allowance	0
<b>Total receivables</b>	<b>192,350.00</b>

**16. Inventories**

Description	2021/22
	KShs
Pharmaceutical supplies	1,652,128.50
Maintenance supplies	0

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Linen and clothing supplies	0
Cleaning materials supplies	0
General supplies	532,958.50
Less: provision for impairment of stocks	0
<b>Total</b>	<b>2,185,087.00</b>

**17. 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
At 1 <sup>st</sup> July 2021	-	-	-	-	-	-	-	-
Additions	-	-	-	-	234,388.000	-	-	234,388.000
Disposals	-	-	-	-	-	-	-	-
Transfer/adjustments		-		-			-	-
<b>At 30<sup>th</sup> June 2022</b>	-	-	-	-	234,388.000	-	-	234,388.000
<b>Net book values</b>								
At 30 <sup>th</sup> June 2021	-	-	-	-	-	-	-	-
At 30 <sup>th</sup> June 2022	-	-	-	-	234,388.000	-	-	234,388.000

**18. INTANGIBLE ASSETS-SOFTWARE**

Description	2021-2022
	KShs
<b>Cost</b>	
At beginning of the year	0
Additions	464,184.00

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Additions–internal development	0
<b>At end of the year</b>	0
<b>Amortization and impairment</b>	
<b>At beginning of the year</b>	0
Amortization	0
Impairment loss	0
<b>At end of the year</b>	464,184.00
<b>NBV</b>	464,184.00

**19. Trade and Other Payables**

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

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

Description	2021/22
	KShs
Admission deposit	0
<b>Total deposits</b>	<b>0</b>

**21. Cash Generated from Operations**

Description	2021/22
	KShs
<b>Surplus for the year before tax</b>	1,367,756.00
<b>Adjusted for:</b>	
Waivers	2,300.00
Transfers to county not yet funded	1,759,838.80
<b>Working Capital adjustments</b>	
Increase in inventory	0
Increase in receivables	0
<b>Net cash flow from operating activities</b>	<b>3,129,894.8</b>

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## 6. 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 counter party 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
<b>At 30 June 2022</b>				
Receivables from exchange transactions			-	-
Receivables from –non-exchange transactions	192,350.00	192,350.00	-	-

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Bank balances	1,902,983.50	1,902,983.50	-	-
<b>Total</b>	<b>2,095,333.50</b>	<b>2,095,333.50</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 uncollected amounts that the company has recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts

**(ii) Liquidity risk management**

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

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

**(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.

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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.

**v) Events After the Reporting Period**

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

**7. 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.

**8. Currency**

The financial statements are presented in Kenya Shillings (KES)

**I. Appendices**

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

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the

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various issues as shown below with the associated time frame within which we expect the issues to be resolved.

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

**Guidance Notes:**

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

.....  
**Accounting Officer**

1218 CA 41 BRANCHES  
CERTIFICATE OF BALANCE

KCB Bank Limited  
(Incorporated in Kenya)

CERT2220095617

KCB KERicho                      19 JUL 2022  
.....

Certified that the balance at the                      CREDIT                      Of KIPKELION SUB COUNTY  
.....

AVZ 1153321130  
.....

at the close of business on                      30 JUN 2022                      Was KES  
.....

ONE MILLION NINE HUNDRED AND TWO THOUSAND NINE HUNDRED AND EIGHTY THREE CENTS  
.....

KES                      1,902,983.50  
.....

Examined by                       .....

Manager Service Quality & Compliance                      Branch Manager



A/CNO.: 1163321130

REPUBLIC OF KENYA

F.O. 30

BANK RECONCILIATION

AS AT 30th JUNE 2022

1 Station: KIPKELION SUB COUNTY HOSPITAL

	Shs	cts	Shs	Shs	cts
Balance as per Bank Certificate...				1,902,983.00	
<i>Less</i>			1,384,012.00		
1. Payments in Cash Book not yet recorded in Bank Statement (Unpresented Cheques)					
2. Receipts in Bank Statement not yet recorded in Cash Book				1,384,012.00	
<i>Add:</i>			514,112.00		
3. Payments in Bank Statement not yet recorded in Cash Book					
4. Receipts in Cash Book not yet recorded in Bank Statement				514,112.00	
<b>Bank Balance as per Cash Book.....</b>				<b>1,033,083.00</b>	

I certify that I have verified the Bank Balance in the Cash Book with the Bank Statement above Reconciliation is correct

Signature ..... Designation ..... Date .....

PAYMENTS IN CASH BOOK NOT YET RECORDED IN BANK STATEMENT (UNPRESENTED CHEQUES)

CHEQUE		Payee	AMOUNT		CHEQUE		Payee	AMOUNT	
No.	Date		Sh.	ct	No.	Date		Sh.	cts
301	22-06-22	BRENDA CHELANGAT	17,250.00						
304	22-06-22	DAISY CHELANGAT	16,100.00						
306	22-06-22	MEDS	128,920.00						
307	22-06-22	MEDS	185,094.00						
308	22-06-22	MEDS	171,295.00						
309	22-06-22	TILIL INDUSTRIES	200,000.00						
310	22-06-22	BETTAL INVESTMENT LIMITED	129,233.00						
312	22-06-22	TYLKEM SUPPLIES LIMITED	101,519.00						
313	22-06-22	MERCY CHEPKEMOI	10,750						
315	22-06-22	ROSE CHERONO	12750.00						
316	22-06-22	ELIZABETH NGETICH	7000.00						
320	22-06-22	GIBSON KIBET	4750.00						
323	22-06-22	NICHOLAS LANGAT	6750.00						
324	22-06-22	DUNCAN CHEPKWONY	6000.00						
326	22-06-22	SOLOMON MOIBEN	8000.00						
327	22-06-22	PHARMILY PHARMACEUTICALS LIMITED	105000.00						
328	22-06-22	KPLC	39213.00						
329	22-06-22	SADYME HOLDINGS	234388.00						
			<b>1,384,012.00</b>						

