REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
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OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

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

OAG/KC/ CHEPTALAL/L3BH/2022/2023(25) **04 September, 2024**

Mr. Isaac K. Kitur
Clerk to the Bomet County Assembly
P.O. Box 590-20400
BOMET

Dear Sir

REPORT OF THE AUDITOR-GENERAL ON CHEPTALAL LEVEL 3B HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2023 – COUNTY GOVERNMENT OF BOMET

I transmit the report of the Auditor-General on the examination and audit of Cheptalal Level 3B Hospital for the year ended 30 June, 2023 in accordance with the provisions of Article 229(7) of the Constitution of Kenya for the necessary action as required by Article 229(8) of the Constitution.

Yours sincerely,

Stanley Mwangi
For: AUDITOR-GENERAL

BOMET COUNTY ASSEMBLY
RECEIVED
06 SEP 2024
P. O. Box 590-20400
BOMET

BOMET COUNTY ASSEMBLY
REGISTRY OFFICE
06 SEP 2024
P.O. Box 590 - 20400, BOMET

Copy to:

Dr. Chris Kiptoo, CBS
Principal Secretary
The National Treasury
P.O. Box 30007-00100
NAIROBI

Mr. Jeremiah Nyegenye, CBS
Clerk to the Senate
P. O. Box 41842-00100
NAIROBI

Prof. Hilary Barchok, PhD
Governor of Bomet County
P. O. Box 19 – 20400
BOMET

REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

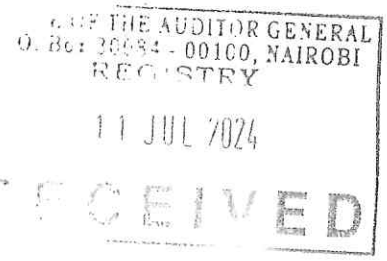
CHEPTALAL LEVEL 3B HOSPITAL

FOR THE YEAR ENDED 30 JUNE, 2023

COUNTY GOVERNMENT OF BOMET

Tabled on 11/09/2024 at 2:30 p.m.

Revised 30th June 2023



CHEPTALAL Level 3B HOSPITAL
(Bomet County Government)

ANNUAL REPORT AND AMENDED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2023

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

Table of Contents

2. Key hospital Information and Management

(a) Background information

Cheptalal Sub County hospital is a level (3 B) hospital established under gazette notice number VOL.CXXII- No. 24 of 4th February 2020 as Comprehensive Health Centre and is domiciled in Bomet County under the Health Services Department. The hospital is governed by a Board of Management.

(b) Principal Activities

The principal activity/mission/ mandate of the *hospital* is to …

Key Management

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

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

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Medical Superintendent	**Dr Nickson Mutai**
2.	Head of finance	**Ngeno Peter**
3.	Head of supply chain	**Beatrice Chemutai**
4.	Health Administrative officer	**Jackson Towett**
5.	Nursing Officer in charge	**Joyce Cheptoo**

(d) Fiduciary Oversight Arrangements

- Health management team.

The Medicines and Therapeutics Committee (MTC) is a multidisciplinary committee responsible for overseeing policies and procedures related to all aspects of medicines and other health products and technologies use. It evaluates the clinical use of medicines, formulates policies for managing medicines and other health products and technologies use and administration, Pharmacovigilance and safety aspects and manages the formulary system. It also has broad responsibilities in determining which essential health product and technology will be available in the facility under its jurisdiction and how they will be used. It evaluates, educates, and advises medical staff and organisational administration in all matters pertaining to the use of medications.

Key hospital Information and Management (continued)

(e) Hospital Headquarters

P.O. Box 12
Taboino Village
Koiwa-Sotit Road
Mogogosiek, KENYA

(f) Hospital Contacts

Telephone: (+254) 769369814
E-mail: cheptalalsch@bomet.go.ke
Website: www. bomet.go.ke

(g) Hospital Bankers

Kenya Commercial Bank
Family Bank (K) Ltd

(h) Independent Auditors

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

(i) Principal Legal Adviser

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

(j) County Attorney

P.O.Box. 19
Bomet, Kenya

4. Key Management Team

Ref	Management	Details
1.	Dr. Nickson Mutai MBChB	Team Leader, Chair Health Management Team Head of clinical and administrative services and secretary to the Hospital Management Board, Member KMPDB.
2.	Jackson Towett	Head non support services, secretary HMT and Member HMB, Member of Nursing Council of Kenya
3.	Ngeno Peter	Head Financial Services and HMT member. ICPAK Member. Holder of MBA, BBM.
4.	Beatrice Chemutai	Head of supplies chain management and Member HMT
5.	Joyce Cheptoo	Head nursing services and Member HMT. Member of Nursing council of Kenya. Senior Nursing officer
6.	Cosmas Maritim	Head Health records and information and member HMT
7.	Zeddy Chemutai	Head of pharmaceuticals and non pharmaceuticals and member HMT

6. Report of The Medical Superintendent

The general outlay of the hospital with regard to the performance of the financial year 2022/23 has been fair. The challenges posed by the global Covid19 pandemic had its impact on the healthcare system during the said year.

Human resources. The facility is fairly staffed though; some departments are understaffed. The challenge of staff retention still ensues. There is need for concerted efforts in ensuring that this critical element remains adequately resourced. Staff capacity building needs to be enhanced.

Financial. The hospital revenue base from out of pocket payment as well as corporate insurance rose significantly during the reporting period. Remittances from NHIF have been prompt. However, a big percentage of clients are still accessing health services through out of pocket payment negative regarding universal health coverage. The hospital receives an AIE from the department of health services which aid hospital operations.

Infrastructure. The institution will need an upgrade in some of the critical infrastructure especially with regards to waste management. The wards are generally inadequate. Power supply is unstable and there is need for green energy to be explored.

Overally, the year has been successful and looking forward to improved work performance

.....

Name DR ANGIAI MICKSON

Secretary to the Board

10. Environmental And Sustainability Reporting

i) Sustainability strategy and profile

Include an Introductory paragraph on the main mandate of the organization and its strategy on sustainability. Sustainability being the ability to maintain or continue offering services to the citizens of the country over the long- term. The top management especially the accounting officer should refer to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failure.

ii) Environmental performance

Outline clearly, environmental policy guiding the organisation, provide evidence of the policy. Outline successes, shortcomings, efforts to manage biodiversity, waste management policy and efforts to reduce environmental impact of the organisation's products.

iii) Employee welfare

Give account of the policies guiding the hiring process and whether they take into account the gender ratio, whether they take in stakeholder engagements and how often they are improved. Explain efforts made in improving skills and managing careers, appraisal and reward systems. The organisation should also disclose their policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA.)

iv) Market place practices-

The organisation should outline its efforts to:

a) Responsible competition practice.

Explain how the organisation ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition, and respect for competitors.

b) Responsible Supply chain and supplier relations

Explain how the organisation maintains good business practices, and treats its own suppliers responsibly by honouring contracts and respecting payment practices.

11. Report of The Board of Management

The Board members submit their report together with the Audited Financial Statements for the year ended June 30, 2023, which show the state of the *hospital's* affairs.

Principal activities

The principal activities of the hospital are (continue to be) ….

Results

The results of the hospital for the year ended June 30 2023 are set out on pages …. to …..

Board of Management

The members of the Board who served during the year are shown on page xxx. During the year, xxx director(s) retired/ resigned, and xxx director (s)was appointed with effect from xxxx date.

Auditors

The Auditor General is responsible for the statutory audit of the *hospital* in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board

.....

Name D2. MUSA DICKSON

Secretary to the Board

REPUBLIC OF KENYA

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

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON CHEPTALAL LEVEL 3B HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2023 – COUNTY GOVERNMENT OF BOMET

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 that the 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, risk management environment and 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

Adverse Opinion

I have audited the accompanying financial statements of Cheptalal Level 3B Hospital – County Government of Bomet set out on pages 1 to 27, which comprise of the statement

unexplained variance of Kshs.2,467,861. Management did not provide a reconciliation statement for the variance.

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

2. Variances in Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs.1,322,150 as disclosed in Note 16 to the financial statements. The amount relates to dues from the National Health Insurance Fund (NHIF) whose records indicate a balance of Kshs.1,250,880 resulting to an unexplained variance of Kshs.71,270.

In the circumstances, the accuracy and completeness of the receivables from exchange transactions balance of Kshs.1,322,150 could not be confirmed.

3. Unsupported Property, Plant and Equipment Balance

The statement of financial position reflects property, plant and equipment balance of Kshs.87,193,210 as disclosed in Note 19 to the financial statements. Although Management provided an asset listing supporting the balance, there was no valuation report to indicate how the assets' values were determined. Further, Note 19 to the financial statements did not comply with the recommended financial reporting template since it disclosed the assets at their acquisition cost but without any depreciation charged on the various classes of assets and their net book value.

Further, the property, plant and equipment balance includes land with a value of Kshs.5,145,000 for which Management did not provide the ownership documents including title deeds for the land the Hospital it owns.

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

4. Revenue

4.1. Misstatement of Revenue from the County Government

The statement of financial performance reflects transfers from the County Government amount of Kshs.9,582,000 as disclosed in Note 6 to the financial statements. Included in the balance is an amount of Kshs.1,584,000 for the months of April and May, 2022 which was received in the month of August, 2022. The amount related to the financial year 2021/2022 and should not have been included in the revenue for the year under review. Further, the Authority to Incur Expenditure (AIEs) for the months of April, May and June, 2023 were excluded from the revenue disclosed in the financial statements.

In the circumstances, the accuracy and completeness of the transfers from the County Government amount of Kshs.9,582,000 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Misclassification on Role of Hospitals in Universal Health Care (UHC)

Review of the Hospital's operations and records during the period of audit revealed that the health facility is actually operating as a level 3 hospital since it offers outpatient services only and the only ward available is for maternity services only. The Hospital facilities could therefore not be compared with the level 4 checklist since its facilities, services and medical staff were far below the expectation of a level 4 hospital.

The deficiencies contravene the First Schedule of Health Act, 2017 which 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. Further this contravened the Kenya Quality Model for Health Policy Guidelines and hindered the realization of the Government program on Universal Health Coverage.

In the circumstances, the Hospital may not be providing the required medical services to the public due to limited facilities, services and medical staff.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (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 comply, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON 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 matter described in the Basis of Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Hospital's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the 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 comply with the authorities which govern them and that public resources are applied in an effective way.

The Board of Management 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 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

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 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.

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

06 August, 2024

14. Statement of Financial Performance for The Year Ended 30 June 2023

Description	Note	2022/2023	2021/2022
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	6	9,582,000	7,670,000
		0	466,109
Revenue from exchange transactions			
Rendering of services- Medical Service Income NHIF	7	2,467,861	5,788,073
Total revenue		**12,049,861**	**13,924,182**
Expenses			
Medical/Clinical costs	8	2,304,155	2,088,285
Employee costs	9	2,697,795	2,546,656
Board of Management Expenses	10	50,000	0
Repairs and maintenance	11	2,243,639	1,256,759
Grants and subsidies / Transfers	12	2,929,861	6,208,073
General expenses	13	1,415,445	1,608,406
Total expenses		**11,640,895**	**13,708,179**
Total other gains/(losses)		**408,966**	**216,003**
Net Surplus / (Deficit) for the year		**408,966**	**216,003**

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

.....	.....	.....
Chairman Sammy A. Cheruiyot	**Head of Finance**	**Medical Superintendent**
Board of Management	**ICPAK No:**	

15. Statement of Financial Position As At 30th June 2023

Description	Note	2022/2023	2021/2022
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	14	82,691	321,050
Receivables from exchange transactions-NHIF	16	1,322,150	1,153,600
Receivable from non exchange transactions	15	2,496,000	2,376,000
Inventories	18	1,416,816	1,714,291
Total Current Assets		**5,317,657**	**5,564,941**
Non-current assets			
Property, plant, and equipment	19	87,193,210	87,193,210
Total Non-current Assets		**87,193,210**	**87,193,210**
Total assets		**92,510,867**	**92,758,151**
Liabilities			
Current liabilities			
Trade and other payables	17	3,776,684	2,718,558
Total Current Liabilities		3,776,684	**2,718,558**
Total Liabilities		**3,776,684**	**2,718,558**
Net assets		**88,734,183**	**90,039,593**
Accumulated surplus/Deficit		408,966	216,003
Capital Fund		88,325,217	89,823,590
Total Net Assets and Liabilities		**92,510,867**	**92,758,151**

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

.....	.....	.....
Chairman	**Head of Finance**	**Medical Superintendent**
Board of Management	**ICPAK No:**	

18. Statement of Comparison of Budget and Actual Amounts for Year Ended 30 Jun 2023

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Transfers from the County Government	9,984,000	0	9,984,000	9,582,000	402,000	96%
Total income	**9,984,000**	0	**9,984,000**	**9,582,000**	**402,000**	96%
Expenses						
Medical/Clinical costs	2,684,000	0	2,684,000	2,304,155	379,845	86%
Employee costs	2,700,000	0	2,700,000	2,697,795	2,205	99.92%
Remuneration of directors	300,000	0	300,000	50,000	250,000	16.67%
Repairs and maintenance	2,500,000	0	2,500,000	2,243,639	256,361	89.75%
Grants and subsidies / Transfers	4,004,000	0	4,004,000	2,929,861	1,074,139	73%
General expenses	1,800,000	0	1,800,000	1,415,445	384,555	79.%
Surplus for the period						%
Total expenditure						%

3. Adoption of New and Revised Standards

i. **New and amended standards and interpretations in issue effective in the year ended 30 June 2023.**

Standard	Effective date and impact
IPSAS 41: Financial Instruments	**Applicable: 1st January 2023** 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 hospital's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • 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 hospital's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. *(State the impact of the standard to the hospital if relevant)*
IPSAS 42: Social Benefits	**Applicable: 1st January 2023** The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting hospital provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess: (a) The nature of such social benefits provided by the hospital.

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

Standard	Effective date and impact
IPSAS 43	***Applicable 1st January 2025*** The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an hospital. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	***Applicable 1st January 2025*** The Standard requires:- i. 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: *ii.* 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.

iii) Early adoption of standards

The hospital did not early – adopt any new or amended standards in the financial year or *the hospital adopted the following standards early (state the standards, reason for early adoption and impact on hospital's financial statements.)*

b. Budget information

The original budget for FY 2022/23 was approved by Board on ***2022.*** Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The *hospital's* budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the 10actual as per the statement of financial performance has been presented on page *xxx* under section *xxx* 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.

f. Leases

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

Financial assets

Classification of financial assets

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

Subsequent measurement

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

Amortized cost

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

j. Inventories

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

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

- Raw materials: purchase cost using the weighted average cost method.
- Finished goods and work in progress: cost of direct materials and labour, and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

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

k. Provisions

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

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

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

q. Employee benefits

Retirement benefit plans

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

r. 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.

s. 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.

t. Related parties

The hospital regards a related party as a person or an hospital with the ability to exert control individually or jointly, or to exercise significant influence over the *hospital*, or vice versa.

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Useful lives and residual values

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

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

9. Employee Costs

Description	2022/2023	2021/2022
	Kshs	Kshs
Salaries, wages, and allowances	2,697,795	2,546,656
Employee costs	**2,697,795**	**2,546,656**

10. Board of Management Expenses

Description	2022/2023	2021/2022
	Kshs	Kshs
Airtime allowance	50,000	0
Total	**50,000**	

11. Repairs And Maintenance

Description	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
Property- Buildings	1,648,717	
Medical equipment	416,550	
Computers and accessories	49,100	
Motor vehicle expenses	129,272	
Total repairs and maintenance	**2,243,639**	**1,256,759**

12. Grants And Subsidies

Description	2022/2023	2021/2022
	Kshs	Kshs
Transfers to County Government RF	2,467,861	5,788,073
Transfers to dispensaries	462,000	420,000
Total grants and subsidies	**2,929,861**	**6,208,073**

17. Trade and other payables

Description	2022/23	2021/22
	KShs	KShs
Food and Ration	434,640	301,715
Dressing and Non-Pharmaceuticals	404,890	160,185
Health information stationery	60,000	33,000
Sanitary and cleansing Materials	64,100	41,450
Transfer to CG Collection A/C	1,322,150	1,258,540
Salaries, wages, and allowances	360,185	360,243
Medical equipment	454,361	60,100
Office equipment/Furniture	172,000	22,000
Computers and accessories	73,300	49,100
Motor vehicle expenses	112,868	0
Maintenance of civil works	68,300	87,060
Telephone, Postal	37,800	40,000
Bank charges	690	1,065
Electricity expenses	0	79,000
Transfer to kitala	126,000	84,000
Printing and stationery	50,200	38,000
Refined fuels and lubricants, charcoal	35,200	103,100
Total	**3,776,684**	**2,718,558**

18. Inventories

Description	2022/23	2021/22
	KShs	KShs
Pharmaceutical supplies and non pharms,	1,416,816	1,714,291
Total	**1,416,816**	**1,714,291**

19. Property, Plant and Equipment

Description	Land	Buildings and Civil works	Plant	Medical Equipment and Furniture	Crops	Total
	Shs		Shs		Shs	Shs
Cost						
At 30th June 2023	5,145,000	30,000,000	180,000	51,974,860	73,350	87,193,210
Net book						

21. Financial Risk Management

The hospital's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The 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 hospital's financial risk management objectives and policies are detailed below:

(i) Credit risk

The hospital has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

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 hospital has significant concentration of credit risk on amounts due from xxxx 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.

(ii) Liquidity risk management

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

(iii) Market risk

The hospital has put in place an internal audit function to assist it in assessing the risk faced by the hospital on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the hospital's income or the value of its holding of financial instruments. The objective of