

REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

**OF**

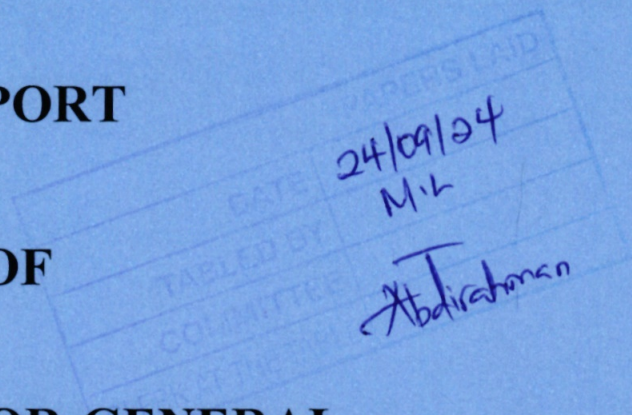
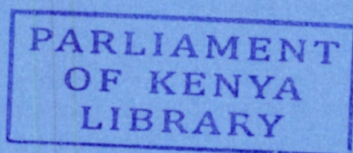
**THE AUDITOR-GENERAL**

**ON**

**KAPENGURIA COUNTY REFERRAL  
LEVEL 5 HOSPITAL**

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

**COUNTY GOVERNMENT OF WESTPOKOT**





---

# **Kapenguria County Referral Level 5 Hospital (West Pokot County Government)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

---

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



**Table of Contents**

<b>I. Key Entity Information and Management</b> .....	<b>iv</b>
<b>II. The Board of Management</b> .....	<b>vii</b>
<b>III. Management Team</b> .....	<b>xii</b>
<b>IV. Chairman’s Statement</b> .....	<b>xiv</b>
<b>V. Report of The Medical Superintendent</b> .....	<b>xvi</b>
<b>VI. Statement Of Performance Against Predetermined Objectives</b> .....	<b>xvii</b>
<b>VII. Corporate Governance Statement</b> .....	<b>xviii</b>
<b>VIII. Management Discussion and Analysis</b> .....	<b>xix</b>
<b>IX. Environmental And Sustainability Reporting</b> .....	<b>xx</b>
<b>X. Report of The Board of Management</b> .....	<b>xxii</b>
<b>XI. Statement of Board of Management’s Responsibilities</b> .....	<b>xxiii</b>
<b>XII. Report of the Independent Auditor (Office Of The Auditor General)</b> .....	<b>xxiv</b>
<b>XIII. Statement of Financial Performance for The Year Ended 30 June 2022</b> .....	<b>1</b>
<b>XIV. Statement of Financial Position as at 30<sup>th</sup> June 2022</b> .....	<b>2</b>
<b>XV. Statement of Changes in Net Asset for The Year Ended 30 June 2022</b> .....	<b>3</b>
<b>XVI. Statement of Cash Flows for The Year Ended 30 June 2022</b> .....	<b>4</b>
<b>XVII. Statement Of Comparison of Budget and Actual Amounts For The Year Ended 30 June 2022</b> .....	<b>5</b>
<b>XVIII. Notes To the Financial Statements</b> .....	<b>6</b>
<b>XIX. Appendices</b> .....	<b>29</b>

**I. Key Entity Information and Management**

**(a) Background information**

Kapenguria County Referral Hospital is a level (5) hospital established under The Kenya Gazette Notice No. 786 Vol. CXXII No. 24 dated 4<sup>th</sup> February 2020 and is domiciled in West Pokot County under the Health Department. The hospital is governed by a Board of Management.

**(b) Principal Activities**

To promote and participate in provision of affordable, integrated and high Quality promotive, curative and rehabilitative

**Vision Statement**

A neat, well organized and secure hospital with adequate supplies and well-motivated staff offering quality health services to the residents of Pokot County and the neighboring counties.

**Mission Statement**

To promote and participate in the provision of integrated and high quality promotive, preventive, curative and rehabilitative healthcare services to all Kenyans.

**(c) Key Management**

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

- County department of health
- Board of Management
- Accounting Officer/ Medical Superintendent
- Management

**(d) Fiduciary Management**

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

No.	Designation	Name
1.	Medical Superintendent	Dr. Simon Kapchanga
2.	Accountant	Mr. Joseph Ng'iroo
3.	Supply chain and management	Ms. Neema Chesaro
4.	Hospital Administrator	Ms. Rosemary Kapusien
5.	Nursing In charge	Ms. Jane Kirop

**(e) Fiduciary Oversight Arrangements**

i) Audit and Risk Management Committee

The West Pokot County Audit Committee was constituted and inducted on 1<sup>st</sup> July 2018 as per the provisions of the Public Finance and Management Act, 2012. It is mandated to review audit reports and advise the Hospital on institutional risk management.

S/No	Name	Designation
1	Mr. Paul Loitangiro Rikilem	Chairperson
2	CPA Thomas Pkemoi Lotiaka, CPA	Secretary
3	Mr. Kizito Musakala Makhumi CPA	Member
4	Ms. Irene Chebet Lorot	Member

ii) County Assembly committees

Article 185(3) provides that a County Assembly, while respecting the principle of the separation of powers, may exercise oversight over the County Executive Committee and any other County Executive organs. The oversight role of the County assembly is exercised directly by all members of the County assembly and through County assembly committees. The following are the committees responsible for oversight in the County assembly:

- Public Accounts and Investment Committee
- Health Sectorial Committees
- Finance and Planning Committee
- Implementation Committee

**(f) Entity Headquarters**

Kapenguria County Referral Hospital  
P.O. Box 63-30600  
Kapenguria,  
KENYA

**(g) Entity Contacts**

Telephone: (+254) 736 182 216  
E-mail: medsupkcrh@westpokot.go.ke

Website: [www.westpokot.go.ke](http://www.westpokot.go.ke)

**(h) Entity Bankers**

1. Kenya Commercial Bank

Kapenguria Branch,  
P.O. Box 66 - 30600  
Kapenguria, Kenya  
Kapenguria Town Centre

**(i) Independent Auditors**

Auditor General  
The 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) West Pokot County Attorney**




P.O. Box. 222-30600  
Kapenguria, Kenya




**II. The Board of Management**

Serial No.	Name	Details of qualifications and experience
1	<p><b>Dr. Philip Parklea</b></p> 	<p>Dr. Philip Parklea is the current chair of the board. Dr. Parklea is an independent board member. He is a holder of Master of Medicine in Surgery, Bachelor of Medicine and Bachelor of Surgery, post graduate diploma in Laparoscopic surgery from Indian Institute of Laparoscopic surgery, India and other various post graduate certificates. He has over 39 years of experience having served as a Chief Specialist in General Surgery in MTRH. He also served as a Lecturer of Surgery at Moi University Faculty of Health Sciences. He has been a member of boards of several hospitals and institutions</p>
2	<p><b>Mr. Edward Lorot</b></p> 	<p>Mr. Lorot was the vice- Chairman of the board. Mr. Lorot is an independent board member. He holds a Bachelor of Education degree from Kenyatta University. He is a teacher by profession. He also served as the secretary of KNUT from 1991-1997. He later served as a Principal Administration Officer at KNUT Headquarters. He also served in Board of Management of Nasokol High School.</p>



<p>2</p>	<p><b>Caroline Cheyech Menach</b></p> 	<p>Ms. Menach is a teacher by profession and holds Bachelor Degree in Education, She is an independent board member of Kapenguria County Referral Hospital.</p> <p>Ms. Menach is Currently the Principal St. Elizabeth Girls Secondary School, Morpus where she has excelled in school management. Radical changes has been introduced by miss Menach that has seen the school rise in performance over the years.</p> <p>Ms. Menach has also seen numerous development of infrastructure at the school. Ms. Menach has over twenty years in management.</p>
<p>3</p>	<p><b>Kambromboi Julia</b></p> 	<p>Ms. Julia was an independent member of the board during the year under review. She is a form four lever from St. Elizas Kabichbich Girls Secondary school. She is a business woman and a farmer.</p> <p>Ms. Julia has immense passion in healthcare. She has been supporting the local Health centre at Kabichbich with her own personal resources to see to it that proper healthcare is always offered to patients.</p>
<p>4</p>	<p><b>Mrs Sela Plapan</b></p> 	<p>Mrs Sela Plapan is the current board member. She is business and a farmer.</p> <p>Mrs Sela brings in over twenty years of experience in management. Mrs Sela brings in her vast experience in management from her booming farming business</p>

<p>5</p>	<p><b>Priscillah Chemsto Lokwalima</b></p> 	<p><b>Mr Priscillah Chemsto Lokwalima</b> She is Current board member. She is a farmer and business person.</p> <p>Mrs Chemsto brings in over twenty years of experience in management. Mrs Chemsto brings in her vast experience in management from her success in farming business</p>
<p>6</p>	<p><b>Mr Charles Kamzee Alisoreng</b></p> 	<p>Mr Charles Kamzee Alisoreng is the current board member. He is an independent member. He is anaesthetic by profession. working at Moi teaching and referral hospital.</p> <p>Mr Charles is an independent member of the board who bring in over ten years of experience in health sector management. Mr Charles has a lot of passion in theatre services at Kapenguria County Referral Hospital. He pushes for high quality services to patients at all times.</p>
<p>7</p>	<p><b>Wiliam Ruto Ngurasia</b></p> 	<p>Mr. William is a current independent member of the board. He is a PI teacher having graduated from Kaimosi Teachers Training College. He has been Head Teacher for various schools.</p> <p>Mr. William brings in a wealth of management skills from the education sector. Mr. William has been a head teacher of various schools for over twenty six years.</p>

<p>8</p>	<p><b>Mr. Akaule Joseph Loywat</b></p> 	<p>Mr. Akaule is also an independent member of the board and or Chair of Several School Board of Management. Mr. Akaule is a member of Kenya Pharmaceutical Association and was awarded Certificate of Merit by Health Workforce and Institutional Excellence Award for Pharmaceutical Technologist, Frontline Award. He has over seven years' experience in health management. He is currently the Managing Director, Kape Health Limited.</p>
<p>9</p>	<p><b>Dr. Simon Kapchanga</b></p> 	<p>Dr. Simon Kapchanga is the Medical Superintendent and the Secretary to the board. He is an holder of Masters of Medicine in Orthopaedics Surgery from Jiamusi University of China and a Bachelor of Medicine and bachelor of Surgery from Wuhan University China.</p>
<p></p>	<p><b>Mr. William Chebariko</b></p> 	<p>Mr. William Chebariko is former board member. He previously worked as a clerk at the Ministry Public Works. He was a Councillor and mayor of Kapenguria Municipality.</p> <p>Mr. William brings in over twenty years of experience in public institutions management. He is an independent member of the board.</p>
<p></p>	<p><b>Mrs Selina kaptul</b></p>	<p>Mrs Selina Kaptul is former board member. She is a nurse by profession from kenya medical training</p>



college She worked in private clinics with nine years of experience.

Mrs. Selina brings in over nine years of experience in health service management. She is an independent member of the board.



**Mr Isaac Rotino**






Mr Isaac Rotino current board member, He was as public health officer worked in both west Pokot and national Government.

Mr. Rotino brings in over sixteen years of experience in health service management. He is an independent member of the board.

**III. Management Team**

	<b>Management</b>	<b>Details</b>
1.	<p><b>Dr Simon Kapchanga</b></p> 	<p>Medical Superintendent and AIE holder. He is the Secretary to the board of Management.</p>
2.	<p><b>Jane J. Kirop</b></p>  <p><b>Bachelor of Science in Nursing</b></p>	<p>Nursing Services Manager overseeing nursing services in the facility.</p>

3.	<p>Mr. Ngiroo Joseph Toroitich</p>  <p><b>Bachelor of Commerce in Finance and Accounting</b></p>	<p>Mr. Ngiroo is the accountant in charge of the Hospital and is in charge of all the finances.</p>
4.	<p>Ms. Rosemary Kapusien</p>  <p><b>Bachelor of Education- Catholic University</b></p>	<p>She is the Hospital Administrator</p>
5.	<p>Mr. Yassin Hussein Yeko</p>  <p><b>Bachelor of Procurement and Supply Chain</b></p>	<p>Mr. Yassin is in charge of Procurement in the Hospital</p>

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

It gives me pleasure to present the financial statements for Kapenguria County Referral Hospital board for the period ended June 30, 2022. The financial statements have been prepared in accordance with Section 164(2) of the Public Finance Management Act, 2012 and Section 46 of The Urban Areas and Cities Act of 2011. They contain appropriation accounts showing the services for which the appropriated money was rendered, amounts actually spent on each service, and any variations between the actual expenditure and the sums vote for the financial year 2021/2022.

In order to ensure improved transparency, accountability and fiscal responsibility the Hospital is committed to prudent use of its finances guided by sound fiscal policies that ensure efficient utilization of resources. Taking consideration of the importance of the citizens' voice in prioritizing development programmes, we continuously engage and update the citizens of West Pokot County through public participation. This upholds the key objective of devolution, which is to promote sustainable and equitable social, political and economic development in the County.

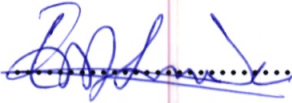
The financial year under review was challenging and tough. Despite the numerous challenges, we are happy to have achieved some key milestones as a Level 5 Hospital. We constructed an increased registration area which includes records department, NHIF and cash office enabling patients /clients to served centrally. Triage area initiated just adjacent to registration area where clients are assessed vital signs taken and client are categorized according to their priorities and handled accordingly, then referred to various clerking rooms. Renal unit has advanced to a limit of 30 client /patients with 5 machines. There are also six specialist nurses handling patient s.

Dental department has 2 dentists who are offering advanced dental procedures with the use of a new machine acquired by the county government. IMCI department are offering services from 8am to 6 pm all through weekends. Diabetic clinic has first started and on a daily. ICU has 3 bed capacity accommodating patients for the wards and as far as the neighbouring counties and 3 specialist nurses. Laboratory department has new modern machines for VEC'S LFT, Culture. The X-ray department is now doing mammogram.

MCH currently doing screening and treatment of ca cervix. We Started a high-risk clinic in line with the gynaecological clinic. The Hospital has 10 consultants as follows: General surgeon, Neuro surgeon, Ent

surgeon, Orthopaedic surgeon, two Physicians, two Paediatric, Eye specialist and two Dental surgeons. The hospital also has nurse specialists in, Renal, Eye, ICU, Psychiatric, Theatre and Paediatrics.

As we look into the future, it is our vision that we shall have a private wing of the hospital to compliment the revenue sources and ensure sustainability in offering quality healthcare services to the citizens.



.....  
**Name: Dr. Philip Parklea**

**Chairperson of the Board**

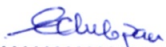


## **V. Report of The Medical Superintendent**

I am pleased to report that the financial year under review was challenging and tough. Despite the numerous challenges, we are happy to have achieved some key milestones. We increased the registration area which includes records department, NHIF and cash office enabling patients /clients to served centrally. Triage area initiated just adjacent to registration area where clients are assessed vital signs taken and client are categorized according to their priorities and handled accordingly, then referred to various clerking rooms. Renal unit has advanced to a limit of 30 client /patients with 5 machines. There are also six specialist nurses handling patient s.

Dental department has 2 dentists who are offering advanced dental procedures with the use of a new machine acquired by the county government. IMCI department are offering services from 8am to 6 pm all through weekends. Diabetic clinic has first started and on a daily. ICU has 3 bed capacity accommodating patients for the wards and as far as the neighbouring counties and 3 specialist nurses. Laboratory department has new modern machines for VEC'S LFT, Culture. The X-ray department is now doing mammogram.

MCH currently doing screening and treatment of ca cervix. We Started a high-risk clinic in line with the gynaecological clinic. The Hospital has 10 consultants as follows: General surgeon, Neuro surgeon, Ent surgeon, Orthopaedic surgeon, two Physicians, two Paediatric, Eye specialist and two Dental surgeons. The hospital also has nurse specialists in, Renal, Eye, ICU, Psychiatric, Theatre and Paediatrics.



.....  
**Name: Dr. Simon Kapchanga**

**Secretary of the Board**

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

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

Kapenguria County Referral Level 5 Hospital has five strategic pillars and objectives within the current Strategic Plan for the health systems These strategic pillars are as follows;

- 1: Leadership and Governance
- 2: Medical supplies and technologies
- 3: Service delivery
- 4: Health Infrastructure
- 5: Health Financing

### **Other key priorities**

- i. Preventive and health service
- ii. General administration and support service
- iii. Curative and Rehabilitation Health service

Kapenguria develops its annual work plans based on the above five key pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Hospital achieved its performance targets set for the FY 2021/2022 period for its hospital strategic pillars, as indicated in the diagram below:

<b>Strategic Pillar/Theme/Issues</b>	<b>Objective</b>	<b>Key Performance Indicators</b>	<b>Activities</b>	<b>Achievements</b>
Pillar:1	-To prolong life and to reduce disability. Improvements in the standard of living and in	To improve Health care treatment	-Outreaches -Disease surveillance	Improve Health Care and Preventive of Disease at Primary Level
	medical treatment and ..			

Pillar:2	Improve quality of health care service	Quality supplies of commodities	-Budgeting process Supervision -Partnership with KEMSA, MEDS and other suppliers	Attaining quality service in the Hospital
----------	--	---------------------------------	--	---

## **VII. Corporate Governance Statement**

### **Board Meetings**

The Board of KCRH Hospital holds its sittings to transact the business of the Board once every three months. The Chairperson of the Board of hospital may, and upon request in writing by at least one-third of the members of the Board shall, convene a special meeting to transact any urgent business of the Board. All regular meetings of the Board of the hospital called for transacting business, where a majority of the members elected are present, shall be open to the public.

A majority of the members of the Board of the hospital is a quorum to conduct business, but a smaller number may meet and compel attendance of absent members as prescribed. A member of the Board of the hospital who is interested in any discussions or decision-making regarding any subject or transaction under consideration by the Board, shall not be counted as participating in the discussions or decision-making, and is not entitled to vote on or agree to the subject or transaction relating to it.

### **Functions of the Hospital Management Board**

The county and sub-county hospital management boards shall —

- (a) be responsible for the supervision of the funds allocated to the respective hospitals;
- (b) open and operate bank accounts at a bank(s) to be approved by the County Executive Members responsible for matters related to finance in the County;
- (c) recommend activities to be included in the hospital work plans based on the County health sector strategic plan;
- (d) cause to be kept books of accounts and records of accounts of the income, expenditure, assets and liabilities of the hospital as prescribed by the Accounting Officer;

- (e) cause to be prepared and submitted to the administrator of the fund monthly, quarterly and annual financial reports as prescribed; and
- (f) cause to be kept a permanent record of all its deliberations.

### **Remuneration of the Board**

The members of the Board of the Hospital are not be entitled to a salary. However, members of the Board are paid allowances as advised by the Salaries and Remuneration.

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

### **Operational performance**

The KCRH has a bed capacity of 172. The overall patient attendance during the year for inpatient were 31096 and 792450 specialised clinic attendance. The average length of stay for in patient was 4.5 days with bed occupancy rate standing at 125%. This means we experienced an acute shortage of beds beyond our capacity. The mortality rate stood at 5%. Surgical theatre utilisation (number of operations over a period of time) was 1100. There were an average of 4000 accidents and emergencies attended in the hospital majorly contributed by motorbikes and some few obstetric emergencies

### **Financial performance that includes**

#### **Kapenguria County Referral Level 5 Hospital has two Revenue sources**

- i. NHIF collection – reimbursement
- ii. User fee (Cash collection)  
Revenue Collection

Collections for the FY 2021/2022 were as follows:

<b>Quarter</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Total Amount</b>
Hospital Collections	16,837,395	7,221,980	6,681,290	5,241,400	35,982,065
<b>TOTAL</b>					<b>35,982,065</b>

**The hospital operations are categorized under the following sub heads**

#### **General expense**

- a. Printing and publishing
- b. Daily Subsistence Allowances
- c. Catering
- d. Food and ration
- e. Internet
- f. Telephone and communication

#### **Board of management expenses**

- i. Board sitting allowances

**Repair and maintenance**

- i. Plant and machinery
- ii. Maintenance of building and station
- iii. Maintenance of motor vehicle

## **IX. Environmental And Sustainability Reporting**

Kapenguria County Referral Hospital exists to promote and participate in provision of affordable, integrated and high Quality promotive, curative and rehabilitative. It's what guides us to deliver our strategy, putting the client/Citizen first, delivering health services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

### ***i) Sustainability strategy and profile***

Kapenguria County Referral Hospital exists to promote and participate in provision of affordable, integrated and high Quality promotive, curative and rehabilitative. The Kapenguria County Referral Hospital with the support of West Pokot County Government has actively sought partnerships with the National Government and others in a bid to increase grants and donations and this has led to signing of Intergovernmental Participation agreement between the National Government and County Government of West Pokot to support health activities.

### ***ii) Environmental performance***

Kapenguria County Referral Hospital has in place a Solid Waste Management Policy that has assisted the public and the institutions involved to be 7R oriented society by Reducing; Rethinking; Refusing; Recycling; Reusing; Repairing; and Refilling their waste. The policy has also provided framework to address solid waste problems and ensures at achieving zero waste generation. The policy has further ensured that the Hospital in collaboration with other stakeholders is able to sustain the provision of adequate quality services in solid waste management and establish appropriate response to solid waste challenges. In conjunction with department of Environment, we have developed Environmental Rules and Regulations, which include Noise Regulations among others and this has led to reduction in loud noise, unnecessary or unreasonable noise to ensure health and safety of the others.

### ***iii) Employee welfare***

Employee welfare is a critical component for unified service delivery. Kapenguria County Referral Hospital is very committed in ensuring that the welfare of all its employees is catered for by providing a favourable working environment. During the 2021/2022 financial year and with the stewardship of the County Public Service board and the HR department the following key issues were achieved towards staff welfare:

- Provision of full medical cover for staff and their dependents as well as capacity building through trainings and workshops both internally and at the Kenya School of Government.

- Purchased office furniture, computers and its accessories.
- Result Based Management / Performance management System is key in ensuring staff perform their work and are rewarded accordingly. In this regard the department ensured staff were appraised through systematic staff performance appraisal system where staff participates through work planning, target setting and execution, feedback and reporting. During the year under review, the staff were appraised using a scale to indicate the level of performance and those who performed exemplary were rewarded through commendation letter among other recognitions.
- The organisation ensures compliance on the policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA.)

**iv) Market place practices-**

**a) Responsible competition practice.**

The Kapenguria County Referral Hospital applies the principles of public procurement as espoused in the Public Procurement and Asset Disposal Act, 2015; fairness, competitiveness, integrity, professionalism, transparency and accountability, promotion of local industry, promotion of citizen contractors and maximization of value for money. The County uses the Public Procurement and Regulatory Authority market price index and its own market survey to assure competitive prices of procured goods, works and services. In compliance with achieving affirmative action as provided by the Constitution under Articles 55 and 56 and as enacted in the Public Procurement and Asset Disposal Act, 2015 Sections 155,156,157 & 158, the County reserves 30% of its procurement budget to Youths, Women and Persons Living with Disability. Furthermore, the department prepares and submits the reports to Public Procurement and Regulatory Authority Quarterly and bi-annually as required under the Act and Executive Order no. 2/2018.

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

The Hospital applies the procurement methods that ensure promotion of local industry through Request for Quotations and Open County Specific Tenders. In accordance, as provided in the first schedule of the Act, the threshold matrix guides all other procurement for adoption for each procurement, which is included in a procurement plan and approved by the accounting officer.

Kapenguria County Referral Hospital continued to sensitize its residents on various policies including Solid Waste Management Policy, draft Kapenguria County Referral Hospital By-Laws, and Budgetary Process, monthly cleaning services, Urban Integrated Development Plans. This has been done through Public Meetings and Radio Talk shows. The engagement has provided the residents of the County an opportunity to bring out their views in respect to laws as well as infrastructural programmes hence ensuring ownership by the citizens.

**v) Corporate Social Responsibility**

The Hospital engaged in tress planting activities and organized free medical camps for TB and Malnutrition within the county.

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

The Board members submit their report together with the Audited Financial Statements for the year ended June 30, 2022, which show the state of the hospital's affairs.

### **Principal activities**

The principal activities of the entity are to promote and participate in provision of affordable, integrated and high Quality promotive, curative and rehabilitative

### **Results**

The results of the entity for the year ended June 30 are set out on page 1.

### **Board Of Management**

The members of the Board who served during the year are shown on page viii. During the year 2022 Dr. Nobert Abuya resigned and Dr. Simon Kapchanga was appointed with effect from October 2022.

### **Auditors**

The Auditor General is responsible for the statutory audit of the KCRH in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year ended June 30, 2022 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board

Dr. Simon Kapchanga (Medical superintendent) sign  ..... Date 17.05.2024 .....

## **XI. Statement of Board of Management's Responsibilities**

Section 164 of the Public Finance Management Act, 2012 (*Facility Improvement Fund Act 2019*) requires the Board of Management to prepare financial statements in respect of that KCRH, which give a true and fair view of the state of affairs of the KCRH at the end of the financial year and the operating results of the KCRH for that year/period. The Board of Management is also required to ensure that the KCRH keeps proper accounting records which disclose with reasonable accuracy the financial position of the KCRH. The council members are also responsible for safeguarding the assets of the KCRH


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

The Board of Management accepts responsibility for the entity's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and *Facility Improvement Fund Act 2019*). The Board members are of the opinion that the KCRH's financial statements give a true and fair view of the state of KCRH's transactions during the financial year ended June 30, 2022 and of the KCRH's financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the KCRH which have been relied upon in the preparation of the KCRH's financial statements as well as the adequacy of the systems of internal financial control.

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

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

The Hospital's financial statements were approved by the Board on 17.05.2024 and signed on its behalf by:

  
.....

**Name: Dr. Philip Parklea**  
**Chairperson**  
**Board of Management**

  
.....

**Name: Dr. Simon Kapchanga**  
**Accounting Officer**



# REPUBLIC OF KENYA

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



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

*Enhancing Accountability*

## REPORT OF THE AUDITOR-GENERAL ON KAPENGURIA COUNTY REFERRAL LEVEL 5 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2022 - COUNTY GOVERNMENT OF WEST POKOT

---

### PREAMBLE

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

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

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### **Qualified Opinion**

I have audited the accompanying financial statements of Kapenguria County Referral Hospital-County Government of West Pokot set out on pages 1 to 28, which comprise of

---

the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and 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 Kapenguria County Referral Hospital - County Government of West Pokot as at 30 June, 2022, and of its financial performance and its cash flows for the period then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, the County Governments Act, 2012 and the Health Act, 2017.

### **Basis for Qualified Opinion**

#### **1. Unsupported Cash and Cash Equivalentents**

The statement of financial position reflects cash and cash equivalentents balance of Kshs.12,495,167 and as disclosed in Note 14 to the financial statements, the balance includes amounts totalling Kshs.3,176,711 in respect of two bank accounts that were not supported with cashbooks and reconciliation statements.

In the circumstances, the accuracy, completeness and fair statement of the cash and cash equivalent balance of Kshs.12,495,167 could not be confirmed.

#### **2. Unsupported Employee Costs**

The statement of financial performance reflects employee costs of Kshs.674,861,221 which as disclosed in Note 10 to the financial statements represents salaries, wages and allowances to the Hospital staff. However, payment vouchers, payroll summaries and their related supporting documents were not provided for audit.

In the circumstances, the accuracy and completeness of employee costs of Kshs.674,861,221 could not be confirmed.

#### **3. Non-Disclosure of Property, Plant and Equipment**

The statement of financial position reflects Nil property, plant and equipment balance. However, review of Hospital records and physical verification revealed various assets including land, buildings, motor vehicles, furniture, computers and equipment which were not disclosed in the financial statements. Further, the ownership documents for land were not provided for audit.

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

#### **4. Inaccuracy in the Statement of Financial Position**

The statement of financial position reflects total net assets and liabilities balance of Kshs.12,692,047 which differed with the balance reflected in the statement of changes in net assets of Kshs.6,106,316 resulting in an unreconciled variance of Kshs.6,585,731.

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

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

The statement of financial position reflects receivables from exchange transactions balance of Kshs.196,880 as disclosed in Note 15 to the financial statements which relates to receivables from National Health Insurance Fund (NHIF). However, records maintained by NHIF revealed that the Fund owes the Hospital a balance of Kshs.2,443,750 resulting to unreconciled and an unexplained variance of Kshs.2,246,870.

In the circumstances, the accuracy and completeness of receivables from exchange transactions balance of Kshs.196,880 could not be confirmed.

#### **6. Inaccurate Grants from Donors and Development Partners Income**

The statement of financial performance reflects grants from donors and development partners income amount of Kshs.1,384,300 as reflected in Note 8 to the financial statements. However, the amount excludes donations from Kenya Medical Supplies Agency (KEMSA) balance of Kshs.21,710,387 and Universal Health Coverage program (UHC) of Kshs.94,914 thereby understating grants from donors and development partners income with the same amount.

In the circumstances, the accuracy and completeness of grants from donors and development partners income of Kshs.1,384,300 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kapenguria County Referral 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 audit 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. Late Submission of Financial Statements**

Management submitted the financial statements for the year ended 30 June, 2022 to the Office of the Auditor-General on 15 April, 2024, eighteen (18) months after the statutory deadline of 30 September, 2022. This was contrary to Section 47(1) of the Public Audit Act, 2015 which requires the financial statements to be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate.

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

### **2. Unutilized Medical Equipment Services**

The Ministry of Health engaged two (2) firms to equip various health facilities with assorted medical equipment during the financial years 2017/2018 and 2019/2020. Review of records revealed that the Hospital received a total of seventy-four (74) assorted items. However, physical verification in the month of April, 2024 revealed that the contracts between maintenance service providers and the Ministry expired in 2022 and had not been renewed. Therefore, some equipment including an X-ray and Computed Radiology (CR) system printers were not functional while C-arm Machine for orthopedic surgeons was not operational. Further, Computed Tomography (CT) Scan machine for which payment had been made, was not delivered.

In the circumstances, value for money in respect of Managed Equipment Services equipment could not be confirmed.

### **3. Discrepancy in Hospital Categorization and Services Offered**

The Kenya Gazette Notice No. 786 of 4 February, 2020 categorized Kapenguria County Referral Hospital as a Level 4 Hospital. However, review of Certificate of Registration and License to operate as a public medical institution issued by the Medical Practitioners and Dentist the facility is categorized as Level 5 Hospital.

In the circumstances, the classification disparity raises concerns about the Hospital's accurate level designation and may have impacted negatively on service delivery.

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

Review of Hospital records and interviews on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to medical staff deficits by 204 staff requirements or 63% of the authorized establishment.

	Minimum Required Level 5	Number in Hospital	Variance	Percentage Gap %
<b>Staffing Requirement</b>				
Medical Officers	50	13	(37)	74
Anesthesiologists	7	0	(7)	100
General Surgeons	4	0	(4)	100
Gynecologists	4	1	(3)	75
Pediatricians	4	2	(2)	50
Radiologists	4	0	(4)	100
Registered Community Health Nurses	250	103	(147)	59
<b>Total</b>	<b>323</b>	<b>119</b>	<b>(204)</b>	<b>63</b>

In addition, the Hospital lacked the necessary equipment and machines outlined in the Health Policy Guidelines as detailed below;

Equipment & Machines	Required	In-Place	Variance	Percentage %
Bed Capacity	500	200	(300)	60
ICU	12	0	(12)	100
HDU	12	3	(9)	75
Operational theatres	7	2	(5)	71.4
Incubators in the New Born Unit	10	3	(7)	70
HDU Cots in the New Born Unit	10	9	(1)	10
Delivery Coaches	5	3	2	40

These deficiencies contravene the First Schedule of the Health Act, 2017 and imply that accessing the 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, the Hospital will not be able to deliver on its mandate.

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 complying, 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 governance were not effective.

### Basis for Conclusion

#### **1. Lack of Risk Management Policy, Information Communication Technology Policy and a Disaster Recovery Plan**

Review of records revealed that the Hospital did not have in place, a Risk Management Policy and did not perform formal risk assessments on all key financial risk areas such as revenue, expenditure and fraud review. Further, the Hospital did not have a Disaster Recovery Plan and Information Communication Technology policy in place. The Hospital was therefore in breach of Regulation 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the accounting officer shall ensure that; (a) the County Government entity develops risk management strategies, which include fraud prevention mechanisms; and (b) the County Government entity develops a system of risk management and internal control that build robust business operations.

In the circumstances, the Hospital may be exposed to weak internal control system and threats that may not safeguard public funds and other assets.

#### **2. Failure to Establish Internal Audit Unit and Audit Committee**

During the year under review, the Hospital did not establish an Audit Committee. Further, Management did not rely on the Internal Audit Department of the County Executive of West Pokot as no internal audit reports were provided for audit review. This was contrary to Regulation 167(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires each County Government entity to establish an Audit Committee.

In the circumstances, the Hospital may be exposed to weak internal controls and poor governance.

### **3. Weak Controls in Check Health Information System (CHIS)**

Review of the Health Information System operated by the Hospital revealed that operations at the Hospital were partially automated hence could not capture all logs and lacked audit trails. The data relating to patients could not be generated and the system suffered frequent breakdowns due to poor routine maintenance.

In addition, the billing module was unable to generate user reports with bills being reversed without authorization in the system and transactions handled in cash with lack of segregation of duties among the staff at the finance department.

Further, review of inventory module revealed that stock levels as per the system did not tally with bin cards and real time inventory levels could not be determined. In addition, physical inspection carried out on the storage space for the dressing and non-pharmaceuticals revealed the storage space was inadequate to hold the needed stock levels to sustain the operations of the hospital.

In the circumstances, effectiveness of the controls for accounting for revenue and inventory at the Hospital could not be confirmed.

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

### **Responsibilities of Management and the Board of Management**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal 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 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 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 control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may



occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of 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 judgment 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 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

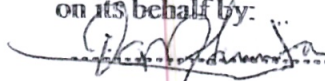
Nairobi

05 July, 2024

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

Description	Notes	2021/22
		Kshs
<b>Revenue from non-exchange transactions</b>		
Transfers from the County Government	6	40,560,653
In Kind Contributions from The County Government	7	732,404,721
Grants from donors and development partners	8	1,384,300
		<b>774,349,674</b>
<b>Expenses</b>		
Medical/Clinical costs	9	69,314,213
Employee costs	10	674,861,221
Board of Management Expenses	11	762,500
Repairs and maintenance	12	2,765,268
General expenses	13	20,540,156
<b>Total expenses</b>		<b>768,243,358</b>
<b>Net Surplus for the year</b>		<b>6,106,316</b>
Attributable to:		
Surplus/(deficit) attributable to minority interest		-
Surplus attributable to owners of the controlling entity		-
		<b>6,106,316</b>

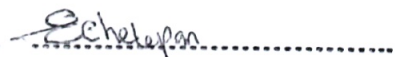
The Hospital's financial statements were approved by the Board on 17.06.2022 and signed on its behalf by:



Chairman  
Board of Management



Head of Finance  
ICPAK No:

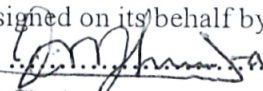



Medical Superintendent

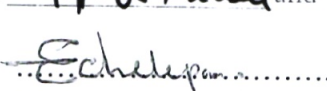
**XIV. Statement of Financial Position as at 30<sup>th</sup> June 2022**

Description	Notes	2021/22
		Kshs
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	14	12,495,167
Receivables From Exchange Transactions	15	196,880
<b>Total Current Assets</b>		<b>12,692,047</b>
<b>Total assets</b>		<b>12,692,047</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
<b>Total Current Liabilities</b>		-
<b>Non-current liabilities</b>		-
<b>Total Non-current liabilities</b>		-
<b>Total Liabilities</b>		-
<b>Net assets</b>		<b>12,692,047</b>
<b>Balance brought Forward</b>	14	<b>6,585,731</b>
Revaluation reserve		-
Accumulated surplus/Deficit		6,106,316
Capital Fund		-
<b>Total Net Assets and Liabilities</b>		<b>12,692,047</b>

The Hospital's financial statements were approved by the Board on 17.05.2022 and signed on its behalf by:

  
Chairman  
Board of Management

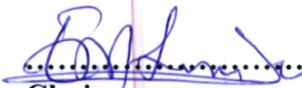
  
Head of Finance  
ICPAK No:


  
Medical Superintendent


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

	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
<b>As at July 1, 2020</b>	-	-	-	-
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	-	-	-
Capital/Development grants	-	-	-	-
<b>As at June 30, 2021</b>	-	-	-	-
<b>At July 1, 2021</b>	-	-	-	-
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	6,106,316	-	6,106,316
Capital/Development grants	-	-	-	-
<b>At June 30, 2022</b>	-	<b>6,106,316</b>	-	<b>6,106,316</b>

The Hospital's financial statements were approved by the Board on 17.05.2024 and signed on its behalf by:

  
 .....  
**Chairman**  
**Board of Management**


  
 .....  
**Head of Finance**  
**ICPAK No: 27397**


  
 .....  
**Medical Superintendent**


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

Description	Note	2021/22 Kshs
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Transfers from the County Government	6	40,560,653
In Kind Contributions from The County Government	7	732,404,721
Grants from donors and development partners	8	1,384,300
<b>Total Receipts</b>		<b>774,349,674</b>
<b>Payments</b>		
Medical/Clinical costs	9	69,314,213
Employee costs	10	674,861,221
Board of Management Expenses	11	762,500
Repairs and maintenance	12	2,765,268
General expenses	13	20,540,156
<b>Total Payments</b>		<b>768,243,358</b>
Increase in receivables		196,880
<b>Net cash flows from operating activities</b>	<b>16</b>	<b>5,909,436</b>
<b>Cash flows from investing activities</b>		
<b>Net cash flows used in investing activities</b>		-
<b>Cash flows from financing activities</b>		
<b>Net cash flows used in financing activities</b>		-
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>5,909,436</b>
Cash and cash equivalents at 1 July	14	6,585,731
<b>Cash and cash equivalents at 30 July</b>	<b>14</b>	<b>12,495,167</b>

The Hospital's financial statements were approved by the Board on 17/06/2022 and signed on its behalf by:

  
.....  
**Chairman**  
**Board of Management**

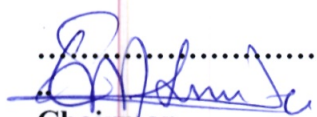
  
.....  
**Head of Finance**  
**ICPAK No: 27397**


  
.....  
**Medical Superintendent**


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

Description	Original budget	Justified	Final budget	Actual on comparable	Performance difference	% of utilisation
	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	112,223,364	-	112,223,364	40,560,653	71,662,711	36%
In Kind Contributions from The County Governm	732,404,721		732,404,721	732,404,721	-	100%
Grants from donors and development partners	1,384,300	-	1,384,300	1,384,300	-	100%
<b>Total income</b>	<b>844,628,085</b>	<b>-</b>	<b>844,628,085</b>	<b>774,349,674</b>	<b>70,278,411</b>	<b>92%</b>
<b>Expenses</b>						
Medical/Clinical costs	93,428,776	-	93,428,776	69,314,213	24,114,563	74%
Employee costs	675,834,183	-	675,834,183	674,861,221	972,962	100%
Board of Management Expenses	2,387,655	-	2,387,655	762,500	1,625,155	32%
Repairs and maintenance	9,833,282	-	9,833,282	2,765,268	7,068,014	28%
General expenses	63,144,188	-	63,144,188	20,540,156	42,604,032	33%
<b>total expenses</b>	<b>844,628,085</b>	<b>-</b>	<b>844,628,085</b>	<b>768,243,358</b>	<b>76,384,727</b>	<b>91%</b>
<b>Surplus/deficif for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,106,316</b>		

The notes set out on pages x to xx form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 17/5/2022 and signed on its behalf by:

  
 .....  
**Chairman**  
**Board of Management**

  
 .....  
 ..  
**Head of Finance**  
**ICPAK No: 27397**

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

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

### **1. General Information**

Kapenguria County Referral Hospital entity is established by and derives its authority and accountability from *West Pokot County Facilities Improvement Fund (FIF) Act enacted on 10<sup>th</sup> June 2019*. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is provision of quality health services.

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

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *entity's* accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note xx 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 *(include any other applicable legislation)*, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

### **3. Adoption of New and Revised Standards**

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



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

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

Standard	Effective date and impact:
	(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> <ul style="list-style-type: none"> <li>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.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> </ul> <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><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b></li> </ul> <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</p>
IPSAS 43	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of</p>

Standard	Effective date and impact:
	financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. 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	<b><i>Applicable 1<sup>st</sup> January 2025</i></b> The Standard requires, 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: 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.

**ii. Early adoption of standards**

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

**4. Summary Of Significant Accounting Policies**

**a) Revenue recognition**

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

**Transfers from other Government entities**

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

**Revenue from exchange transactions**

**Rendering of services**

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour

hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

**Sale of goods**

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

**Interest income**

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

**Dividends**

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

**Rental income**

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

**b) Budget information**

The original budget for FY 2021/2022 was approved by Board on 12<sup>th</sup> April 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. There were no additional appropriations added to the original budget by the entity. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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

comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section *XII* of these financial statements.

**c) Taxes**

**Sales tax/ Value Added Tax**

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

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

**d) Investment property**

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

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

**e) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts

as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

**f) Leases**

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

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

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

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

**g) Intangible assets**

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

**h) Research and development costs**

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

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

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

**i) Financial instruments**

**Financial assets**

**Initial recognition and measurement**

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

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

**Loans and receivables**

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

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

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

### **Impairment of financial assets**

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

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

### **Financial liabilities**

#### **Initial recognition and measurement**

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

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



### **Loans and borrowing**

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

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

#### **i) Inventories**

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

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

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

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

#### **j) Provisions**

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

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

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

**Contingent liabilities**

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

**Contingent assets**

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

**k) Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements. *(Entity to state the reserves maintained and appropriate policies adopted.)*

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

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

**m) Employee benefits**

**Retirement benefit plans**

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

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

**n) Foreign currency transactions**

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

**o) Borrowing costs**

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

**p) Related parties**

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

**q) Service concession arrangements**

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services. The operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any

significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**r) Cash and cash equivalents**

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

**s) Comparative figures**

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

**t) Subsequent events**

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

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

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

**Estimates and assumptions**

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

**Useful lives and residual values**

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

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

**Provisions**

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

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

**6(a). Transfers From The County Government**

Description	2021/22
	KShs
<b>Unconditional grants</b>	
Level 5 grants	40,560,653
<b>Conditional grants</b>	
<b>Total government grants and subsidies</b>	<b>40,560,653</b>

**6. (b) Transfers from The County Government**

Name of the Entity sending the grant	Amount recognized to Statement of financial performance	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year
	KShs	KShs		
			KShs	KShs
West pokot County Government	40,560,653	-	-	
<b>Total</b>	<b>40,560,653</b>	<b>-</b>	<b>-</b>	

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

Description	2021/22	2020/21	Amount recognised in capital fund.	Total grant income during the year
	KShs	KShs		
			KShs	KShs
Salaries and wages	674,404,721	0		
Pharmaceutical and Non-Pharmaceutica	58,000,000	0		-
<b>Total grants in kind</b>	<b>732,404,721.00</b>	<b>-</b>	<b>732,404,721</b>	

**8(a). Grants From Donors and Development Partners**

Description	2021/22
	KShs
Fistula Foundation	1,384,300
<b>Total grants from development partners</b>	<b>1,384,300</b>

**8(b). Grants from donors and development partners (Classification)**

Name of the Entity sending the grant	Amount recognized to Statement of financial performance	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year
	KShs	KShs	KShs	KShs
Fistula Foundation	1,384,300	-	-	-
<b>Total</b>	<b>1,384,300</b>	<b>-</b>	<b>-</b>	<b>-</b>

**9 Medical/ Clinical Costs**

Description	2021/22
	KShs
Dental costs/ materials	-
Laboratory chemicals and reagents	260,900
Public health activities	-
Food and Ration	-
Uniform, clothing, and linen	-
Dressing and Non-Pharmaceuticals	3,222,746
Pharmaceutical supplies	65,579,997
Health information stationery	-
Reproductive health materials	-
Sanitary and cleansing Materials	-
Purchase of Medical gases	-
X-Ray/Radiology supplies	250,570
Other medical related clinical costs (specify)	-
<b>Total medical/ clinical costs</b>	<b>69,314,213</b>

**10 Employee Costs**

<b>Description</b>	<b>2021/22</b>
	<b>KShs</b>
Salaries, wages, and allowances	674,861,221
<b>Employee costs</b>	<b>674,861,221</b>

**11 Board of Management Expenses**

<b>Description</b>	<b>2021/22</b>
	<b>KShs</b>
Sitting allowance	762,500
<b>Total</b>	<b>762,500</b>

**12 Repairs And Maintenance**

<b>Description</b>	<b>2021/22</b>
	<b>KShs</b>
Property- Property and Machinery	654,477
Motor vehicle expenses	183,000
Maintenance of civil works	1,927,791
<b>Total repairs and maintenance</b>	<b>2,765,268</b>



**13. General Expenses**

<b>Description</b>	<b>2021/22</b>
	<b>KShs</b>
Advertising and publicity expenses	355,850
Catering expenses	584,193
Sanitary and cleaning materials	266,329
Food and ration	1,528,990
General office supplies	949,975
Bank charges	1,260
Daily Subsistence allowance	16,162,969
Telephone and mobile phone services	170,590
Staff training and development	145,000
Fuel and Lubricants	375,000
<b>Total General Expenses</b>	<b>20,540,156</b>

**14(a). Cash and Cash Equivalents**

<b>Description</b>	<b>2021/22</b>
	<b>KShs</b>
Current accounts	12,495,167
<b>Total cash and cash equivalents</b>	<b>12,495,167</b>

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

Description		2021/22
Financial institution	Account number	KShs
<b>a) Current account</b>		
Kenya Commercial bank	1182402844	8,203,994
Kenya Commercial bank	1268529370	3,117,198
Kenya Commercial bank	1106262182	59,513
Mpesa Paybill	4085069	1,114,462
<b>Sub- total</b>		<b>12,495,167</b>
<b>Grand total</b>		<b>12,495,167</b>

**15. Receivables From Exchange Transactions**

Description	2021/22
	KShs
NHIF and Other exchange debtors	196,880
Less: impairment allowance	-
<b>Total receivables</b>	<b>196,880</b>

## 16 Cash Generated from Operations

	2021/22
	KShs
<b>Surplus for the year before tax</b>	<b>6,106,316</b>
<b>Adjusted for:</b>	
Depreciation	-
Non-cash grants received	-
Impairment	-
Gains and losses on disposal of assets	-
Contribution to provisions	-
Contribution to impairment allowance	-
<b>Working Capital adjustments</b>	-
Increase in inventory	-
Increase in receivables	(196,880)
Increase in deferred income	-
Increase in payables	-
Increase in payments received in advance	-
<b>Net cash flow from operating activities</b>	<b>5,909,436</b>

## 15 Financial Risk Management

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

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

### (i) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance

with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

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 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 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.

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.

**a) Foreign currency risk**

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

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

**Management of interest rate risk**

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

**Sensitivity analysis**

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

**16 Related Party Balances**

**Nature of related party relationships**

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

**Government of Kenya**

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

- i) The National Government;
- ii) The County Government of West Pokot
- iii) Department of Health

- iv) Key management;
- v) Board of directors;

**17 Ultimate And Holding Entity**

The entity is a Semi- Autonomous Government Agency under the Ministry of Health, West Pokot County Government. Its ultimate parent is the Government of Kenya.

**18 Currency**

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

**Kapenguria County Referral Level 5 Hospital (West Pokot County Government)  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2022**

**XIX. Appendices**

**Appendix 1: Certificate of Balances**

Below is Certificate of Balance from our bankers.

Results 1 - 1 of 1

1218 CA 41 BRANCHES  
CERTIFICATE OF BALANCE

KCB Bank Limited  
(Incorporated in Kenya)

CERT2409900092

KCB KAPENGURIA                      08 APR 2024  
.....

Certified that the balance at the      CREDIT      OF KAPENGURIA COUNTY R H FIF OPERAT AC  
.....

A/C 1182402844  
.....

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

EIGHT MILLION TWO HUNDRED AND THREE THOUSAND NINE HUNDRED AND NINETY FOUR CENTS FORTY THREE  
.....

KES      8,203,994.43  
.....

Examined by      **FOR: KCB BANK KENYA LTD.**  
.....  
MANAGER SERVICE QUALITY & COMPLIANCE  
Manager Service Quality & Compliance      Branch Manager

*Chinedu*  
*11/04/2024*

**Kapenguria County Referral Level 5 Hospital (West Pokot County Government)  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2022**

**Appendix II: Bank Reconciliation.**

Below is a bank reconciliation for the month of June 2022.

**REPUBLIC OF KENYA**

**BANK RECONCILIATION**

KAPENGGURIA COUNTY REFERRAL HOSPITAL OPERATION ACCOUNT

A/C 1123402844

30/06/2022

Bank Balance as per Cash Book ..... KSh. 4,203,994.43

1. Payments in Cash Book not yet recorded in Bank Statement (Presented Cheques)	KSh. 0.00	
2. Receipts in Bank Statement not yet recorded in Cash Book		KSh. 4,203,994.43
3. Payments in Bank Statement not yet recorded in Cash Book		
4. Receipts in Cash Book not recorded in Bank Statement		
<b>Total</b>		

**APPROVED BY:**  
 Prepared by: J. Ndung'u Designation: Accountant Name: J. Ndung'u Signature: [Signature] Date: 17/7/2022  
 Reviewed by: [Signature] Designation: Head of Accounting Name: [Name] Signature: [Signature] Date: 17/7/2022  
 Approved by: [Signature] Designation: Chief officer finance Name: [Name] Signature: [Signature] Date: 17/7/2022

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

CHEQUE NO.	DATE	PAYEE	AMOUNT
TOTAL			

**2. RECEIPTS IN BANK STATEMENT NOT YET RECORDED IN CASH BOOK**

DATE	DETAILS	AMOUNT
TOTAL		

**3. PAYMENTS IN BANK STATEMENT NOT YET RECORDED IN CASH BOOK**

DATE	DETAILS	AMOUNT
TOTAL		

**4. RECEIPTS IN CASH BOOK NOT YET RECORDED IN BANK STATEMENT**

DATE	DETAILS	AMOUNT
TOTAL		

**HEAD OF TREASURY/ACCOUNTING OFFICER**  
**WEST POKOT COUNTY**  
 P. O. BOX 50123, SIOGOTI, WEST POKOT COUNTY, KENYA  
 E-MAIL: ACCOUNTING@WESTPOKOTKENYA.GOV.KE  
 TEL: 0577415373, 0577415374

*Checked  
Date  
16/07/2022*



**APPENDIX iii: Inter-Entity Confirmation Letter**



**COUNTY GOVERNMENT OF WEST POKOT  
DEPARTMENT OF HEALTH**



MINISTRY OF HEALTH, WEST POKOT COUNTY P.O BOX222-3060

Telephone: 0729114322

Email: medsuptkcrh@westpokot.go.ke

REF: WPC/KCRH/ACC/ (20)

The Integrated Financial management information systems *wishes* to confirm the amounts disbursed to you as at 30<sup>th</sup> June 2022 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us

<b>Confirmation of amounts received by Kapenguria County Referral Hospital as at 30<sup>th</sup> June 2022</b>							
Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (KShs25,275,600) as at 30th June 2022				Amount Received by [KCRH] (KShs) as at 30 <sup>th</sup> June 2022 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
	03/11/2021	2,493,000.00			2,493,000.00	2,493,000.00	
	14/12/2021	11,734,800.00			11,734,800.00	11,734,800.00	
	20/04/2022	4,965,800.00			4,965,800.00	4,965,800.00	
	16/06/2022	4,697,700.00			4,697,700.00	4,697,700.00	
	19/07/2021	460,655.00			460,655.00	460,655.00	
	21/12/2021	110,000.00			110,000.00	110,000.00	
	27/05/2022	90,000.00			90,000.00	90,000.00	

	03/03/2022	57,600.00			57,600.00	57,600.00
	14/03/2022	100,000.00			100,000.00	100,000.00
	29/03/2022	153,000.00			153,000.00	153,000.00
	26/04/2022	172,100.00			172,100.00	172,100.00
	26/04/2022	75,000.00			75,000.00	75,000.00
	18/05/2022	126,000.00			126,000.00	126,000.00
	22/06/2022	26,500.00			26,500.00	26,500.00
REC/0000040460	03/11/2021	2,366,248.00			2,366,248.00	2,366,248.00
REC/0000042828	31/03/2022	8,035,400.00			8,035,400.00	8,035,400.00
REC/0000041998	31/03/2022	1,531,000.00			1,531,000.00	1,531,000.00
REC/0000044051	16/06/2022	3,365,850.00			3,365,850.00	3,365,850.00
<b>Total</b>		<b><u>40,560,653</u></b>			<b><u>40,560,653</u></b>	<b><u>40,560,653</u></b>

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

Head of Accountants department of beneficiary entity:

Name Geoffrey Lokung Sign [Signature] Date 17/05/2024