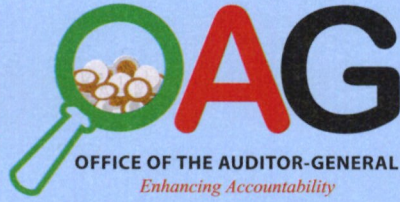


REPUBLIC OF KENYA



# REPORT

OF

**THE AUDITOR-GENERAL**

ON

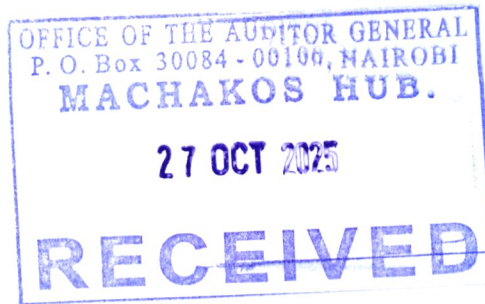
**KYUSO SUB-COUNTY HOSPITAL**

**FOR THE YEAR ENDED  
30 JUNE, 2025**

**COUNTY GOVERNMENT OF KITUI**

DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

PAPERS LAID	
DATE	26/11/25
TABLED BY	S.M.L
COMMITTEE	-
CLERK AT THE TABLE	Belinda



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## **Kyuso Sub-County Hospital (Kitui County Government)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2025**

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

Table of Contents

1. Acronyms & Glossary of Terms .....	ii
2. Key Hospital Information and Management.....	iii
3. The Board of Management.....	vi
4. Key Management Team .....	vii
5. Chairman’s Statement .....	viii
6. Report of The Medical Superintendent .....	ix
7. Statement of Performance against Predetermined Objectives.....	xi
8. Corporate Governance Statement .....	xii
9. Management Discussion and Analysis.....	xiii
10. Environmental And Sustainability Reporting.....	xvi
11. Report of The Board of Management.....	xix
12. Statement of Board of Management’s Responsibilities.....	xx
13. Report of the Independent Auditor on the Financial Statements of Kyuso Sub County Hospital for the Financial year 2024/2025.....	xxi
14. Statement of Financial Performance for The Year Ended 30 June 2025.....	1
15. Statement of Financial Position as at 30 <sup>th</sup> June 2025 .....	2
16. Statement of Changes in Net Assets for The Year Ended 30 June 2025.....	3
17. Statement of Cash Flows for The Year Ended 30 June 2025 .....	4
18. Statement of Comparison of Budget and Actual Amounts for Year Ended 30 Jun 2025 .....	5
19. Notes to the Financial Statements.....	7
20. Appendices .....	33

**1. Acronyms & Glossary of Terms**

CSR	Corporate Social Responsibility
SCMA	Supply Chain Management Assistant
HRIO	Health Records & Information Officer
OSHA	Occupational Safety & Health Act
MET	Medical Engineer Technologist
PHO	Public Health Officer
PFMA	Public Financial Management Act
	Financial Year
Fiduciary Management	Key management personnel who have financial responsibility in the hospital.

## 2. Key Hospital Information and Management

### (a) Background information

Kyuso Sub-County Hospital is a gazetted public health facility by the Medical Practitioners and Dentists Act, Cap. 253, Registration Number GK-0006566. It is domiciled in Kitui County – Mwingi North Sub County under the Health Department.

### (b) Principal Activities

The principal activity of the hospital is to provide health services to the people of Kitui and the Government of Kenya as a whole.

**Vision:** To have a community with healthy residents who embrace preventive healthcare and access affordable and equitable healthcare services.

**Mission:** To provide accessible, affordable healthcare services to all by strengthening healthcare systems.

The hospital offers among other services, Pharmacy, Mortuary, Radiology, Laboratory, Nutrition, Nursing, Inpatient Care, and Outpatient services.

### (c) Key Management

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

- County Department of Health
- Board of Management
- Medical Superintendent
- Hospital Management Team

### (d) Fiduciary Management

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2025 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	County Executive Committee Member - Finance	<b>-Peter Mwikya Kilonzo</b>
2.	Chief Officer - Finance	<b>-CPA John Kimwele</b>
3.	County Executive Committee Member - Health	<b>-Ruth Koki</b>
4.	Chief Officer Health – Medical Services	<b>-Dr. Benson Musyoka</b>
5.	Chief Officer Health – Public Health and Sanitation	<b>-Lynn Kitwan</b>
6.	Chief Officer Health – Drugs and Medical Supplies	<b>-Aggey Kamba</b>
7.	Medical Superintendent	<b>-Dr. Curtis Kamau Alice</b>

**Key Hospital Information and Management (continued)**

**(e) Fiduciary Oversight Arrangements**

- Office of the Auditor General
- The County Assembly of Kitui
- The County Assembly of Kitui Health Committee
- Kitui County Assembly Public Investment and Accounts Committee.
- Kitui County Assembly County Budget and Appropriation Committee
- Kitui County Assembly Finance and Economic Planning Committee
- Kitui County Budget and Economic Forum

**(f) Hospital Headquarters**

P.O. Box 13-90401  
KYUSO  
KITUI, KENYA

**(g) Hospital Contacts**

Telephone: (+254723 927964  
E-mail: [kyusolevel4hospital@gmail.com](mailto:kyusolevel4hospital@gmail.com)  
Website: [www.kitui.go.ke](http://www.kitui.go.ke)

**(h) Hospital Bankers**

Commercial Banks (*Kenya Commercial Bank*)

**(i) Independent Auditors**

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

**Key Hospital Information and Management (continued)**

**(j) Principal Legal Adviser**

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


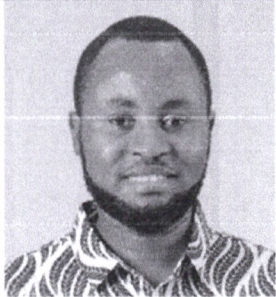
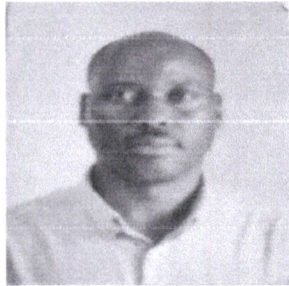
**(k) County Attorney**

P.O. Box.33-90200  
KITUI, Kenya

### **3. The Board of Management**

*The appointment of the Board members was gazetted on 25<sup>th</sup> June 2021 as per Kenya Gazette Notice Number 6317. However, their appointment de gazetted as per the Gazette Notice Number 13546 dated 6<sup>th</sup> October 2023.*

**4. Key Management Team**

Ref	Management	Details
1.	 Dr. Curtis Kamau	<b>Medical Superintendent</b> YOB: 1987 <b>Qualification:</b> Bachelor of Medicine and Bachelor of Surgery
2.	 CPA Teddy Kyalo	<b>Accountant</b> YOB: 1991 <b>Qualification:</b> <ul style="list-style-type: none"><li>➤ Bachelor of Commerce (Accounting)</li><li>➤ Certified Public Accountant of Kenya (CPA-K)</li></ul>
3.	 Geoffrey Muthui	<b>Nursing Officer In charge</b> YOB: 1978 <b>Qualification:</b> Bachelor of Science in Nursing

## **5. Chairman's Statement**

*The appointment of the Board members including that of the Chairperson was gazetted on 25<sup>th</sup> June 2021 as per Kenya Gazette Notice Number 6317. However, their appointment de gazetted as per the Gazette Notice Number 13546 dated 6<sup>th</sup> October 2023.*

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

As the Medical Superintendent of Kyuso Sub County Hospital, I am proud to note the tremendous progress our facility has made with the continued support of the County Government of Kitui.

In the past one year, our hospital has witnessed significant infrastructural development that has greatly enhanced service delivery. The County Government of Kitui, in its commitment to improving healthcare infrastructure and ensuring a conducive environment for service delivery, has supported various development initiatives at Kyuso Sub County Hospital.

Key milestones include:

### **a) Construction of a structural building**

We have received a construction of a new Outpatient Block slab awaiting continuation in the next financial years, a modern Female Ward, a Theatre, a dedicated Paediatric Ward, and a new Hospital Kitchen to support patient nutrition. These developments will improved patient care, reduce congestion, and strengthen our capacity to provide timely and comprehensive healthcare to the community.

### **b) Fencing Project**

Another project done was the fencing whose objective was to enhance hospital security, safeguard assets, and create a safe environment for staff, patients, and visitors. We have seen the impact it has brought as improved security and controlled access to the facility, Enhanced privacy for patients and better management of hospital land and prevention of encroachment.

### **c) Borehole Project**

The objective was to provide a reliable and sustainable water supply to support hospital operations and improve hygiene standards through drilling of a borehole, installation of a submersible pump, and water storage tanks.

Kyuso Sub County Hospital will stand as a growing referral centre in the region, offering a wider range of essential services closer to our people. We remain committed to delivering quality, compassionate, and professional healthcare, even as we continue to address resources and staffing gaps.

On behalf of the hospital, I extend our sincere appreciation to the County Government of Kitui, through the ministry of health, our partners, and the community for their continued support. Together, we are building a stronger sanitation healthcare system that serves with dignity and excellence.

MEDICAL SUPERINTENDENT  
KYUSO SUB-COUNTY HOSPITAL  
24 OCT 2025  
Sign.....  
P.O. Box 13, Kitui, KYUSO

**Name : Dr. Curtis Kamau**  
**Secretary to the Board**

## 7. 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 hospital's performance against predetermined objectives.

Kyuso Sub County Hospital has 3 strategic pillars.

These strategic pillars are as follows:

Strategic Pillar, Theme, Issues	Objective	Key Performance Indicators	Activities	Achievements
Provide Reliable Medical services to all citizen	To provide reliable Medical Services	-Number of Medical Staff -adequate pharmaceuticals and non-Pharmaceuticals stock levels	-Maintaining proper staff levels -Maintaining Proper Pharmaceuticals and Non-Pharmaceuticals	-Staff Levels improved -Improved Pharmaceuticals and Non-Pharmaceuticals
Increased Revenue	To Increase Revenue Collected	-SHA Claims received	-Follow up on the SHA Claims not received	-SHA Claims received
Customer/Patient Satisfactory	-To increase the number of Patients satisfied	-Number of patients served -Number of Complaints solved	Improve customer care services	Increased number of patients
Increased SHA Clients	-To register more clients for SHA insurance.	-Increased number of Primary Health Care	Sensitization programs at the facility and within the community	Increased number of patients getting services under SHA program.

## **8. Corporate Governance Statement**

Kyuso Sub-County Hospital is to be governed by a board of Management comprising of eight (8) members and the secretary to the Board who is the accounting officer for the hospital. The board for the period ending 30<sup>th</sup> June 2025 was gazetted on 25<sup>th</sup> June 2021 as per Kenya Gazette Notice Number 6317.

The functions of the board of management include:

- a. Supervise and control the administration of funds allocated to the hospital;
- b. Through minutes, request the CECM to open and operate a bank account;
- c. Make sure the basic books of accounts for the Hospital are kept;
- d. Making sure records of accounts for income and expenditure and assets and liabilities are kept;
- e. Provide oversight to the hospital; among others

A member shall be added or removed according to the existing regulations on the establishment of boards of management.

The remuneration of the board members is as advised by SRC.

However, the appointment of Board members de gazetted as per the Gazette Notice Number 13546 dated 6<sup>th</sup> October 2023.

**9. Management Discussion and Analysis**

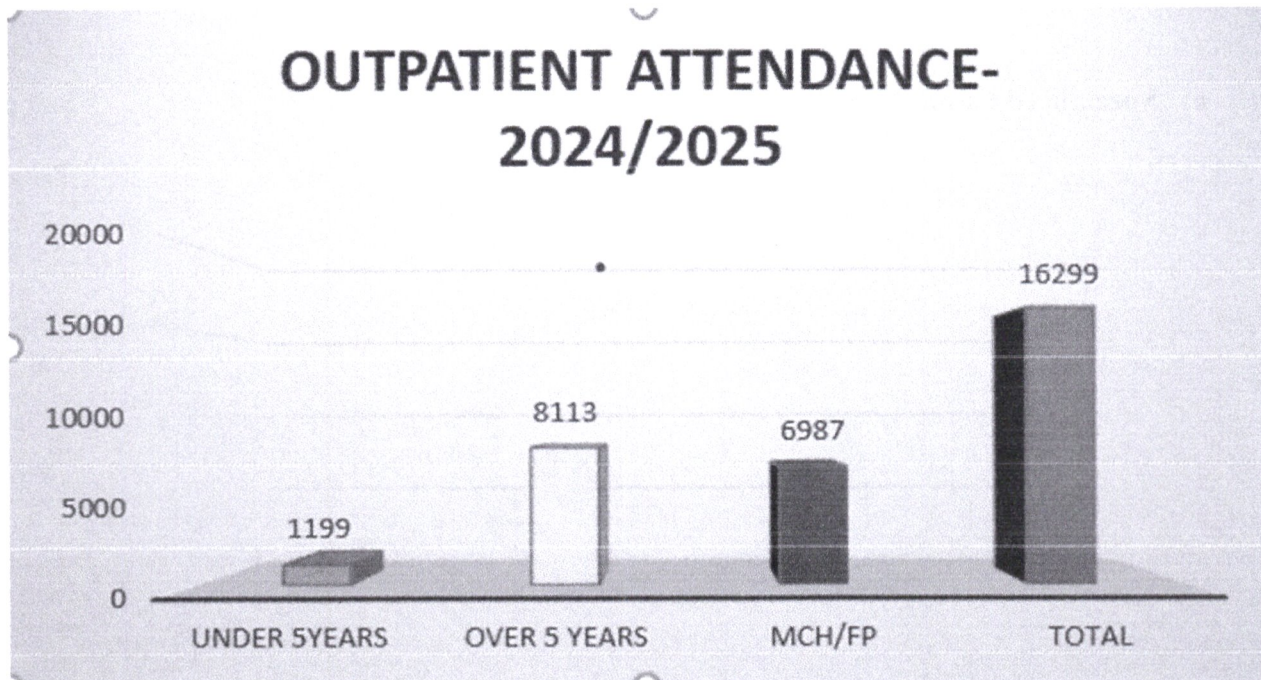
**A) Clinical/operational performance**

**a) Bed capacity of the hospital**

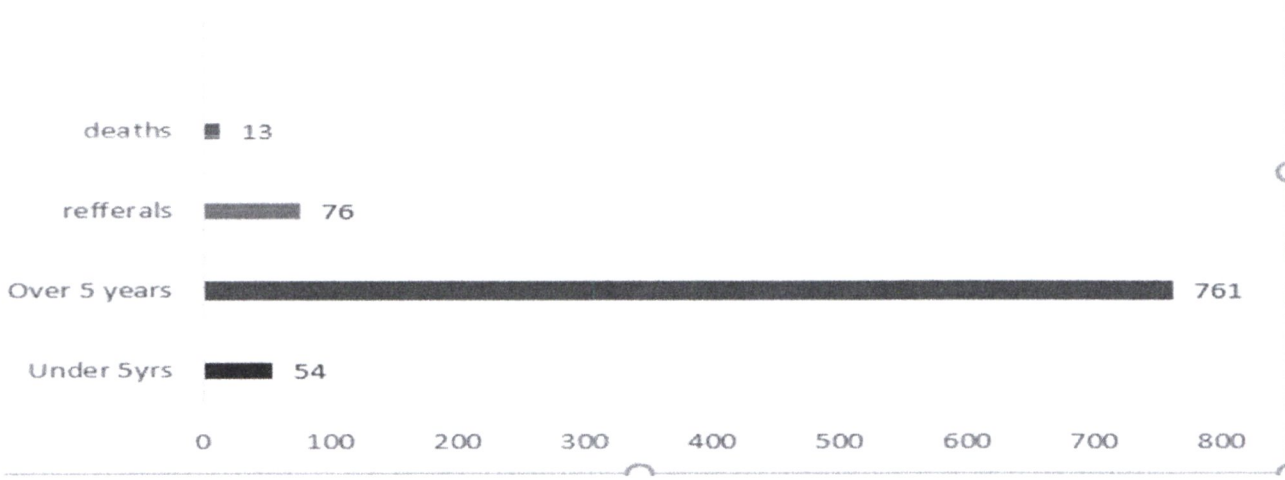
Ward/FY	2024/2025	2023/2024	2022/2023
Maternity ward	10	10	10
General wards	19	19	19
<b>Total</b>	<b>29</b>	<b>29</b>	<b>29</b>

There has been no increase in bed capacity over the last three Financial Years but the hospital expects more bed increment as results of the new structural buildings for inpatients.

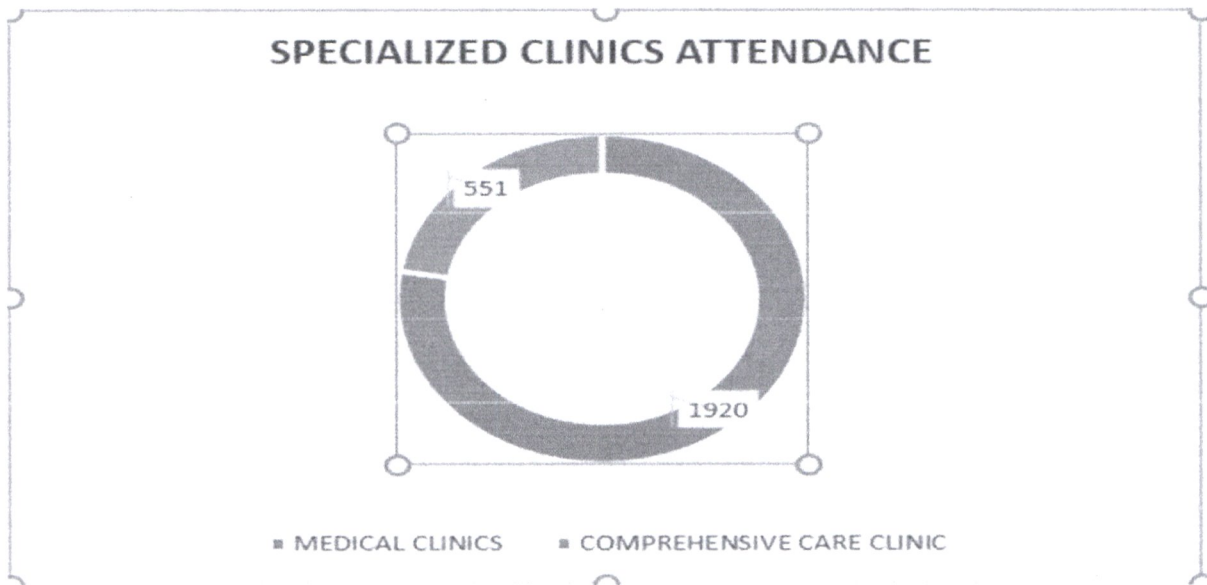
**b) Overall patient attendance for two comparative financial years for outpatient and inpatient services**



### INPATIENT ATTENDANCE-2024/2025



#### c) Specialized Clinic Attendance



#### d) Average length of stay in inpatient

The average length of days each patient stayed in the ward is estimated to be days.

**e) Bed occupancy rate**

The inpatient days of care per bed days available x 100 is equal to the patient per bed in a year.

**f) Mortality rate**

The number of deaths per total population in which occurred x 100 is 1.4%

**B) Financial performance**

In the financial year 2024/2025, the hospital received an Annual Facility Improvement Financing (FIF) of 6,593,100 as budgeted by The County Ministry of Health and Sanitation and disbursed by The County Treasury. The funds were used for procurement of medical goods and services and the hospital day-to-day running activities. The hospital as well generated a total of Ksh. 7,106,949 as revenue from medical services (SHA and Mpesa transactions). 96% of the funds received within the financial year from revenue generated for offering medical services to patients was swiped to the County Revenue Collection Fund.

<b>Financial Year/Particulars</b>	<b>2024/2025</b>	<b>2023/2024</b>	<b>2022/2023</b>
	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>
Annual disbursements from County	6,593,100	8,877,610	6,978,629
Revenue from rendering medical services	7,106,949	8,983,595	6,345,231
In-kind contributions from the County	68,779,640	69,592,159	-
Expenditure	82,910,766	86,372,270	12,826,823
<b>Surplus (Deficit)</b>	<b>(431,077)</b>	<b>1,081,094</b>	<b>497,038</b>

The annual disbursements from the county government was utilized for procurement of medical goods and services as per the approved budgets by the ministry of health and sanitation.

MEDICAL SUPERINTENDENT  
 KYUSO SUB-COUNTY HOSPITAL  
 24 OCT 2025  
 Sign.....  
 P. O. BOX 101, KYUSO

**Name : Dr. Curtis Kamau**  
**Secretary to the Board**

## **10. Environmental And Sustainability Reporting**

### *i) Sustainability strategy and profile*

Kyuso Sub-County Hospital's sustainability strategy is anchored in the principles of the Sustainable Development Goals (SDGs), particularly SDG 3 (Good Health and Well-being) and SDG 13 (Climate Action). Recognizing the global trends of climate change, resource scarcity, and the need for inclusive growth, our approach is to integrate sustainability into every aspect of our operations. The hospital's sustainability priorities include improving access to quality healthcare, promoting environmental stewardship, fostering employee well-being, and strengthening community engagement.

#### **Achievements:**

Adoption of a new sustainability policy: The hospital formalized its commitment to sustainable practices by adopting a comprehensive policy that guides all departments.

Improved waste management: We have successfully implemented a waste segregation system, leading to a significant reduction in mixed waste and improved disposal efficiency.

Enhanced Service Delivery Charter: We have reviewed and updated our service delivery charter to improve patient experience and ensure transparency in our services.

### *ii) Environmental Performance*

Kyuso Sub-County Hospital operates under a strict Environmental Policy that aims to minimize our ecological footprint. The policy is guided by the principles of reduce, reuse, and recycle and emphasizes responsible waste management and energy conservation.

#### **Evidence of Implementation and Performance**

Waste Management: The hospital has successfully implemented a comprehensive waste management system. . Color-coded bins have been placed in all wards and departments for the segregation of medical, general, and sharp waste. This has improved the efficiency of our waste disposal and ensured that hazardous waste is handled appropriately.

**iii) Employee Welfare**

Kyuso Sub-County Hospital is committed to the well-being and professional growth of its staff. Our human resource policies are regularly reviewed and updated to ensure they are fair, transparent, and compliant with all legal requirements. We have a robust career management system. All staff members are required to undergo an annual appraisal, which identifies skill gaps. We provide regular trainings, CMEs, workshops, and opportunities for further education to enhance their skills. Our rewards system is based on performance, with clear criteria for promotions and salary increments to motivate and retain talent guided by the ministry.

**iv) Market Place Practices**

Kyuso Sub-County Hospital is committed to ethical and responsible practices in its engagement with the market and citizens.

**a) Responsible Competition and Service Delivery**

**Fair Competition:** We uphold the principles of open tendering for all major procurement activities, ensuring that all interested parties have a fair chance to compete. Our procurement processes are transparent and available for public review as guided by the county government.

**Service Delivery Charter:** Our updated service charter is prominently displayed in the hospital and on our website, outlining our commitment to timely and high-quality service. We have also implemented a cashless payment system to reduce corruption and ensure transparency in all financial transactions

**b) Responsible Supply Chain**

**Supplier Relations:** We maintain good business practices by honouring contracts and respecting payment terms. We have streamlined our payment process to ensure suppliers are paid within the agreed-upon timeframe, fostering trust and enabling them to plan their own operations effectively. We also actively seek out certified suppliers who meet our ethical and quality standards.

**c) Responsible Engagement with Citizens**

**Ethical Outreach:** The hospital ensures its outreach and sensitization practices are ethical and responsible. We provide regular media briefs and updates with accurate and adequate information, avoiding false or exaggerated promises. We hold consultative forums with community leaders and citizens to gather feedback and inform them about our services and new health initiatives. We respect diversity in all our communication and services.

**d) Awareness Creation and Product Stewardship**

**Citizen Rights:** As a public service institution, we are the guardians of citizen rights and interests, particularly in a rural context. We provide clear and adequate information about our services and patients' rights, including their right to privacy and data protection. We have a robust dispute resolution mechanism to address any patient grievances and ensure timely redress. Our staff is trained to provide clear information on all our services, including SHA, NSSF, and other government-supported schemes, ensuring citizens are well-informed of their rights and benefits.

**e) Corporate Social Responsibility / Community Engagements**

Kyuso Sub-County Hospital's CSR activities are aligned with our mandate to improve the health and well-being of the community. We focus on initiatives that have a direct, positive impact on our local population.

**Key Community Engagements**

**Free Medical Clinics:** We regularly hold free medical clinics in the surrounding rural areas to provide basic check-ups, medication, and health education to communities that have limited access to healthcare. This has been a huge success, reaching thousands of community members during the reporting period.

**Sanitation and Health Education:** Our staff has been actively involved in community sensitization and civic education programs on sanitation, hygiene, and disease prevention, particularly focusing on waterborne diseases prevalent in the area.

**Blood Donation Drives:** We organize and host regular blood donation drives within the hospital and in partnership with local schools and churches to ensure a steady supply of blood for emergencies and medical procedures.

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

The hospital management submit their report together with the audited financial statements for the year that ended June 30, 2025, which show the state of the hospital's affairs.

### **Principal activities**

The principal activities of the hospital are providing quality medical healthcare services to the patients, Patient support and administration.

### **Results**

The results of the hospital for the year ended June 30 2025 are set out on pages one (1) to six (6)

### **Board of Management**

The were no members of the Board who served during the year. This is because their appointments gazetted on 25 June 2021 as per Kenya Gazette Notice Number 6317 was de gazetted later as per the Gazette Notice Number 13546 dated 6 October 2023.

### **Auditors**

The Auditor General is responsible for the statutory audit of Kyuso Sub County Hospital financial statements in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.



**Name: Dr. Curtis Kamau**

**Secretary to the Board**

## 12. Statement of Board of Management's Responsibilities

Section 164 of the Public Finance Management Act, 2012 the Board of Management to prepare financial statements in respect of the hospital, which give a true and fair view of the state of affairs of the hospital at the end of the financial year 2024/2025 and the operating results of the facility for the year. The Board of Management is also required to ensure Kyuso Sub County Hospital keeps proper accounting records, which disclose with reasonable accuracy the financial position of the hospital. The council members are also responsible for safeguarding the assets of the Kyuso Hospital.

The Board of Management is responsible for the preparation and presentation of the hospital's financial statements, which give a true and fair view of the state of affairs of the hospital for and as at the end of the financial year ended on June 30, 2025. 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 hospital,
- (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 hospital;
- (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 hospital's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and The Board members are of the opinion that the hospital's financial statements give a true and fair view of the state of hospital's transactions during the financial year ended June 30, 2025, and of the hospital's financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the hospital, which have been relied upon in the preparation of the hospital'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 hospital will not remain a going concern for at least the next twelve months from the date of this statement.

### Approval of the financial statements

The Hospital's financial statements were by signed on..... by:

.....  
**Name:**  
**Chairperson**  
**Board of Management**

MEDICAL SUPERINTENDENT  
KYUSO SUB-COUNTY HOSPITAL  
24 OCT 2025  
Sign.....  
P.O. Box 13 - 90401, KYUSO.....

.....  
**Name: Dr. Curtis Kamau**  
**Accounting Officer**  
**Kyuso Sub-County Hospital**

# REPUBLIC OF KENYA



Phone: +254-(20) 3214000  
Email: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke

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

## **REPORT OF THE AUDITOR-GENERAL ON KYUSO SUB-COUNTY HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2025 - COUNTY GOVERNMENT OF KITUI**

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### PREAMBLE

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

- A. Report on 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 the 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 the Government achieves value for money and that such funds are applied for the intended purpose; and,
- 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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 Kyuso Sub-County Hospital set out on pages 1 to 34, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net

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*Report of the Auditor-General on Kyuso Sub-County Hospital for the year ended 30 June, 2025 - County Government of Kitui*

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 of Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kyuso Sub-County Hospital as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Health Act, 2017, the County Governments Act, 2012 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

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

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

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

#### **2. Unconfirmed Rendering of Services - Medical Service Income**

The statement of financial performance reflects rendering of services - medical service income of Kshs.7,106,949 as disclosed in Note 8 to the financial statements. Included in the amount is Kshs.902,955 received through M-Pesa payments. However, review of records revealed that M-Pesa payments made by patients for Hospital services were not supported with corresponding official receipts. In addition, the Hospital lacked a Revenue Management System to align M-Pesa payments to specific services rendered. Further, daily reconciliations of M-Pesa transaction statements against the Hospital's cashbook and system-generated receipts was not undertaken.

In the circumstances, the accuracy and completeness of the rendering of services - medical service income totalling Kshs.7,106,949 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kyuso Sub-County Hospital Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

## **Emphasis of Matter**

### **1. Long Outstanding Trade and Other Payables**

The statement of financial position and as disclosed in Note 19 to the financial statements reflect trade and other payables balance of Kshs.1,787,503. Included in the balance is Kshs.206,770 which has been outstanding for more than 3 years. Although Management indicated that the payables had been outstanding for long due to financial constraints and lack of proper documentation, there were no measures put in place to clear the payables.

In the circumstances, the Hospital is exposed to litigations and the risk of incurring penalties and interest for late payments.

### **2. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.15,497,049 and Kshs.13,473,655 respectively resulting to under-funding of Kshs.2,023,394 or approximately 13% of the budget.

The under-funding affected the planned activities and may have impacted negatively on the service delivery to the stakeholders.

My opinion is not modified in respect of these matters.

## **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the effect of the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

## **Other Information**

Management is responsible for the Other Information set out on pages iii to xx which comprise of Key Hospital Information and Management, The Board of Management, Key Management Team, Chairman's Statement, Report of the Medical Superintendent, Statement of Performance Against predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Board of Management and Statement of Board of Management's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Hospital's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

## 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 effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the 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. Deficiencies in Implementation of Universal Health Coverage

Review of Hospital's records and interviews on verification of services offered, equipment used and medical specialists in the Hospital as at the time of audit in September, 2025 revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficit by 87 or approximately 86% of the authorized establishment

Staff Requirements	Level 4 Standard	Number In Hospital	Variance	Percentage %
Medical Officers	16	1	15	94
Anesthesiologists	2	0	2	100
General Surgeons	2	0	2	100
Gynecologists	2	0	2	100
Pediatricians	2	0	2	100
Radiologists	2	1	1	50
Registered Community Health Nurses	75	12	63	84
<b>Total</b>	<b>101</b>	<b>14</b>	<b>87</b>	<b>86</b>

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

Equipment and Machines	Level 4 Hospital Standard	Actuals in the Hospital	Variance	Percentage %
Newborn Incubators	5	0	5	100
Resuscitative in Theatre	1	0	1	100
Functional Intensive Care Unit Beds	6	0	6	100

<b>Equipment and Machines</b>	<b>Level 4 Hospital Standard</b>	<b>Actuals in the Hospital</b>	<b>Variance</b>	<b>Percentage %</b>
High Dependency Unit Beds	6	0	6	100
Renal unit with Dialysis Machines	5	0	5	100
Functional Operating Theaters Maternity and General	2	0	2	100

The 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.

## **2. Non-Compliance with Law on Ethnic Composition**

Review of records revealed that the Hospital had sixty (60) employees, out of whom fifty-one (51) or approximately 85% are from the dominant ethnic community in the County. This is contrary to the provisions of Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that 'All public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff, and that 'No public establishment shall have more than one third of its staff from the same ethnic community'.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effect of 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 Hospital Management Board**

Review of documents revealed that the Board of Management that is supposed to direct the Hospital in achieving its strategic objectives had not been constituted, In addition, the

financial statements of the Hospital were not approved and/or signed by the Chairman on behalf of the Board.

In circumstances, the Hospital will not be able to achieve its strategic objectives.

## **2. Failure to Establish Internal Audit Function and an Audit Committee of the Board**

The Hospital has not established an internal audit function and an Audit Committee of the Board. This is contrary to Section 155 of the Public Finance Management Act, 2012 which provides for the establishment of the internal audit function and an Audit Committee of the Board.

In the circumstances, the effectiveness of risk management and governance in the Hospital could not be confirmed.

## **3. Lack of Approved Information and Communication Technology (ICT) Security Policy**

Review of the Hospital's Information Technology Systems revealed that the Hospital did not have an approved ICT Policy for governance and management of its ICT resources. In addition, there is no ICT Steering Committee in place to assist in the development of ICT Policy Framework to enable the Hospital realize its long-term ICT strategic goals. Lack of an approved ICT Policy may result in unclear direction regarding maintenance of information security across the organization and safeguarding of the Hospital's ICT assets. Further, without a sound and approved framework, users do not have any rules and procedures to follow in order to minimize risk of errors, fraud, loss of data confidentiality and integrity.

In the circumstances, the existence of effective measures to prevent loss, confidentiality and integrity of data could not be confirmed.

## **4. Lack of an Assets Register**

The statement of financial position reflects a Nil balance of property, plant and equipment. However, review of the Hospital's records and physical verification revealed that the Hospital did not maintain a fixed assets register to control its assets. This is contrary to Regulation 136(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by law. Further the assets are not tagged with unique identification numbers for ease of traceability and accountability.

In the circumstances, the effectiveness of internal controls over management of fixed assets 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 the Management and those Charged with Governance**

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

In preparing the financial statements, Management is responsible for assessing the Hospital's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

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

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

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

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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The Standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48

of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.

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

**Nairobi**

**03 November, 2025**

**14. Statement of Financial Performance for The Year Ended 30 June 2025**

Description	Note	2024/2025	2023/2024
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from the County Government	6	6,593,100	8,877,610
In-kind contributions from the County Government	7	68,779,640	69,592,159
		<b>75,372,740</b>	<b>78,469,769</b>
<b>Revenue from exchange transactions</b>			
Rendering of services- Medical Service Income	8	7,106,949	8,983,595
<b>Revenue from exchange transactions</b>		<b>7,106,949</b>	<b>8,983,595</b>
<b>Total revenue</b>		<b>82,479,689</b>	<b>87,453,364</b>
<b>Expenses</b>			-
Medical/Clinical costs	9	2,551,940	1,642,910
Employee costs	10	2,954,662	2,004,096
Repairs and maintenance	11	384,570	726,000
General expenses	12	1,694,187	4,517,057
Refunds to the County Government	13	6,545,767	7,890,048
In-kind contributions	14	68,779,640	69,592,159
<b>Total expenses</b>		<b>82,910,766</b>	<b>86,372,270</b>
<b>Net Surplus / (Deficit) for the year</b>		<b>(431,077)</b>	<b>1,081,094</b>

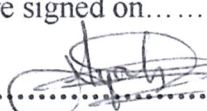
The notes set out on pages 7 to 32 form an integral part of the Annual Financial Statements

The hospital's financial statements were signed on..... by:

.....

**Chairman**

**Board of Management**

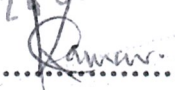


**CPA Teddy Kyalo**

**Head of Finance**

**ICPAK No: 33848**

21 OCT 2025



**Dr. Curtis Kamau**

**Medical Superintendent**

**Kyuso Sub-County Hospital**

**15. Statement of Financial Position As At 30<sup>th</sup> June 2025**

Description	Note	2024/2025	2023/2024
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	15	82,639	11,168
Receivables from exchange transactions	16	1,923,151	1,696,757
Inventories	17	644,000	1,688,421
<b>Total Current Assets</b>		<b>2,649,790</b>	<b>3,396,346</b>
<b>Non-current assets</b>			
Property, plant, and equipment	18	-	-
<b>Total Non-current Assets</b>			
<b>Total assets (A)</b>		<b>2,649,790</b>	<b>3,396,346</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	19	1,787,503	2,102,982
<b>Total Current Liabilities</b>		<b>1,787,503</b>	<b>2,102,982</b>
<b>Non-current liabilities</b>			
<b>Total non-current liabilities</b>			
<b>Total Liabilities (B)</b>		<b>1,787,503</b>	<b>2,102,982</b>
<b>Net assets (A-B)</b>		<b>862,287</b>	<b>1,293,364</b>
<b>Represented by:</b>			
Revaluation reserve		-	-
Accumulated surplus/Deficit		862,287	1,293,364
Capital Fund		-	-
<b>Net Assets</b>		<b>862,287</b>	<b>1,293,364</b>

The notes set out on pages 7 to 32 form an integral part of the Annual Financial Statements

The hospital's financial statements, on behalf of the Board, were signed on.....  
 by:

.....  
 .....

**CPA Teddy Kyalo**  
**Head of Finance**  
**ICPAK No: 33848**

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

MEDICAL SUPERINTENDENT  
 KYUSO SUB-COUNTY HOSPITAL  
 21 OCT 2025  
 Sign.....  
 13 00401, KYUSO

**Dr. Curtis Kamau**  
**Medical Superintendent**  
**Kyuso Sub-County Hospital**

**16. Statement of Changes in Net Assets for The Year Ended 30 June 2025**

<b>Description</b>	<b>Revaluation reserve</b>	<b>Accumulated surplus/Deficit</b>	<b>Capital Fund</b>	<b>Total</b>
<b>At July 1, 2023</b>		212,270	-	<b>212,270</b>
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	1,081,094	-	<b>1,081,094</b>
Capital/Development grants	-	-	-	-
<b>At June 30, 2024</b>		<b>1,293,364</b>	-	<b>1,293,364</b>
<b>At July 1, 2024</b>	-	<b>1,293,364</b>	-	<b>1,293,364</b>
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	(431,077)	-	<b>(431,077)</b>
Capital/Development grants	-	-	-	-
<b>At June 30, 2025</b>	-	<b>862,287</b>	-	<b>862,287</b>

**17. Statement of Cash Flows for The Year Ended 30 June 2025**

Description	Note	2024/2025	2023/2024
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the County Government		6,593,100	9,377,610
Rendering of services- Medical Service Income		6,880,715	7,905,095
<b>Total Receipts</b>		<b>13,473,815</b>	<b>17,282,705</b>
<b>Payments</b>			
Medical/Clinical costs		2,134,160	1,722,910
Employee costs		2,713,632	2,146,483
Repairs and maintenance		384,570	764,600
General expenses		1,624,055	4,760,696
Transfers to the County Government		6,545,927	7,890,048
<b>Total Payments</b>		<b>13,402,344</b>	<b>17,284,737</b>
<b>Net cash flows from operating activities</b>	20	<b>71,471</b>	<b>(2,032)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment & intangible assets			
<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>71,471</b>	<b>(2,032)</b>
Cash and cash equivalents as at 1 July 2024	15	11,168	13,200
<b>Cash and cash equivalents as at 30 June 2025</b>	15	<b>82,639</b>	<b>11,168</b>

**18. Statement of Comparison of Budget and Actual Amounts for Year Ended 30 Jun 2025**

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget carryovers from the previous year	-	-	-	-	-	%
<b>Receipts</b>						
Transfers from the County Government	8,390,100		8,390,100	6,593,100	1,797,000	79%
Rendering of services- Medical Service Income	7,106,949		7,106,949	6,880,555	226,394	97%
<b>Total receipts</b>	<b>15,497,049</b>	<b>-</b>	<b>15,497,049</b>	<b>13,473,655</b>	<b>2,023,394</b>	<b>87%</b>
<b>Payments</b>						
Medical/Clinical costs	2,650,000		2,650,000	2,134,160	515,840	81%
Employee costs	3,100,000		3,100,000	2,713,632	386,368	88%
Repairs and maintenance	430,200		430,200	384,570	45,630	89%
General expenses	2,209,900		2,209,900	1,623,895	586,005	73%
Refunds	7,106,949		7,106,949	6,545,927	561,022	92%
<b>Total Operational Expenditure paid</b>	<b>15,497,049</b>	<b>-</b>	<b>15,497,049</b>	<b>13,402,184</b>	<b>2,094,865</b>	<b>86%</b>
<b>Capital Expenditure paid</b>				-		
<b>Surplus</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>71,471</b>	<b>(71,471)</b>	

**Budget notes**

1. The receipts difference between the final budget and actual on comparable basis (**Ksh, 2,023,394**) was funds not disbursed to the Hospital by the County Government and receivables from insurances for medical services rendered in the financial year 2024/2025.
2. The payment was done with the actual receipts from both the equitable share and rendering services resulting to underutilization of the targets by around 15%.

**Budget Reconciliation**

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	71,471
1	Opening Cash and cash equivalents as at 1 July 2024	11,168
	Closing Cash and Cash Equivalent as per the statement of Cash flows	<b>82,639</b>

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

### **1. General Information**

Kyuso Sub-County Hospital was established by the Ministry of Health and derives its authority and accountability from The Kenya Medical Practitioners and Dentists Council. The entity is wholly owned by the Government of Kenya and is domiciled in Mwingi North Sub County in Kitui County. The entity's principal activity is to provide medical healthcare within and outside its sub county.

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

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

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

*i. New and amended standards and interpretations in issue effective in the year ended 30 June 2025*

There were no new and amended standards issued in the financial year.

*ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025.*

<b>Standard</b>	<b>Effective date and impact:</b>
IPSAS 43	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Hospital.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>Kyuso Sub-County Hospital did not adopt any new or amended standards in the financial year 2024/2025.</i></p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><i>Kyuso Sub-County Hospital did not adopt any new or amended standards in the financial year 2024/2025.</i></p>
IPSAS 45- Property	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets,</p>

Standard	Effective date and impact:
Plant and Equipment	<p>infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p> <p><i>Kyuso Sub-County Hospital did not adopt any new or amended standards in the financial year 2024/2025.</i></p>
IPSAS 46 Measurement	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ol> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p><i>Kyuso Sub-County Hospital did not adopt any new or amended standards in the financial year 2024/2025.</i></p>
IPSAS 47- Revenue	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an hospital shall apply to report useful information to</p>

Standard	Effective date and impact:
	<p>users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p><i>Kyuso Sub-County Hospital did not adopt any new or amended standards in the financial year 2024/2025.</i></p>
<p>IPSAS 48- Transfer Expenses</p>	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p><i>Kyuso Sub-County Hospital did not adopt any new or amended standards in the financial year 2024/2025.</i></p>
<p>IPSAS 49- Retirement Benefit Plans</p>	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p><i>Kyuso Sub-County Hospital did not adopt any new or amended standards in the financial year 2024/2025.</i></p>

***iii) Early adoption of standards***

The Hospital did not adopt any new or amended standards early in the financial year 2024/2025.

**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 hospital and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the asset that has been acquired using such funds.

**ii) Revenue from exchange transactions**

**Rendering of services**

The hospital 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 hospital.

*Notes to the Financial Statements (Continued)*

**b. Budget information**

The original budget for 2024/2025 was approved by the ministry of health and sanitation at the start of the financial year in July 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the hospital upon receiving the respective approvals in order to conclude the final budget. Accordingly, the hospital recorded additional appropriations. The hospital's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts, and the actuals as per the statement of cash flows.

**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.

*Notes to the Financial Statements (Continued)*

**d. 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 hospital 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.

**Financial assets**

**Classification of financial assets**

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

**Subsequent measurement**

Based on the business model and the cash flow characteristics, the hospital classifies its financial assets into amortized cost or fair value categories for financial instruments.

Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

### **Financial liabilities**

#### **Classification**

The hospital classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

#### **e. Inventories**

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

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

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

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

#### **f. Provisions**

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

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

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

**g. Social Benefits**

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The hospital recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the hospital will incur in fulfilling the present obligations represented by the liability.

**h. Contingent liabilities**

The Hospital 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.

**i. Contingent assets**

The Hospital 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 Hospital 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.

**j. Changes in accounting policies and estimates**

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

*Notes to the Financial Statements (Continued)*

**k. Related parties**

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

**l. Service concession arrangements**

The Hospital 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 *Hospital* 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 *Hospital* also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**m. 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.

*Notes to the Financial Statements (Continued)*

**n. Comparative figures**

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

*Notes to the Financial Statements (Continued)*

**o. 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, 2025.

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

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

**Estimates and assumptions.**

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

**Useful lives and residual values**

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

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

**Provisions**

Provisions were not raised and determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Notes to Financial Statements Continued

6. Transfers from the County Government

Description	2024/2025	2023/2024
	KShs	KShs
<b>Unconditional grants</b>		
Operational grant	6,593,100	8,877,610
<b>Total government grants and subsidies</b>	<b>6,593,100</b>	<b>8,877,610</b>

6 b Transfers from the County Government

Name of the Entity sending the grant	Amount recognized to Statement of financial performance <sup>a</sup>	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	Comparative Period
	KShs	KShs			
			KShs	KShs	KShs
Kitui County Government	6,593,100			6,593,100	8,877,610
<b>Total</b>	<b>6,593,100</b>	<b>-</b>	<b>-</b>	<b>6,593,100</b>	<b>8,877,610</b>

7. In Kind Contributions from The County Government

Description	2024/2025	2023/2024
	KShs	KShs
Salaries and wages - Casuals	204,688	-
Salaries and wages - P/P Staff	63,817,711	61,920,295
Medical supplies-Drawings Rights (KEMSA)	2,943,708	2,747,404
Pharmaceuticals and Non-Pharmaceutical Supplies (MEDS)	1,813,533	4,924,460
<b>Total grants in kind</b>	<b>68,779,640</b>	<b>69,592,159</b>

**Notes to Financial Statements Continued**

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

Description	2024/2025	2023/2024
	Kshs	Kshs
Pharmaceuticals	161,090	400,694
Physiotherapy	2,740	4,450
Laboratory	83,210	146,740
Radiology	104,600	133,600
ANC	-	195,060
MOPC/NUTR	5,550	10,750
MCH	-	115,000
Registration and medical files	89,415	124,720
Inpatient Services	3,315,579	1,985,000
NHIF Outpatient	-	195,060
Mortuary Services	360,930	507,120
Outpatient Services	2,983,835	5,165,402
<b>Total revenue from the rendering of services</b>	<b>7,106,949</b>	<b>8,983,596</b>

**9. Medical/ Clinical Costs**

Description	2024/2025	2023/2024
	Kshs	Kshs
Food and Ration	1,545,440	926,510
Medical Records	422,500	320,000
Sanitary and cleansing Materials	436,000	396,400
Non-Pharmaceuticals	148,000	-
<b>Total medical/ clinical costs</b>	<b>2,551,940</b>	<b>1,642,910</b>

*Disclosure: Included in the Medical costs of Ksh.2,551,940, is a total of Ksh. 411,200 for the FY 2023/2024 which had not been expensed in that financial year. Ksh. 90,000 for cleaning services, Ksh.196,200 for food/ration and Ksh. 125,000 for medical records.*

**Notes to Financial Statements Continued**

**10. Employee Costs**

Description	2024/2025	2023/2024
	Kshs	Kshs
Salaries, wages, and allowances	1,904,542	1,194,524
Contributions to pension schemes	197,964	112,292
Staff medical expenses and Insurance cover	44,156	54,280
Other employee costs-Locum	808,000	643,000
<b>Employee costs</b>	<b>2,954,662</b>	<b>2,004,096</b>

*Disclosure: Included in the Employee costs of Ksh.2,954,662, is a total of Ksh. 301,820 for the FY 2023/2024 which had not been expensed in that financial year. Ksh..140,320 for casual wages and Ksh. 161,500 for locums.*

**11. Repairs And Maintenance**

Description	2024/2025	2023/2024
	Kshs	Kshs
Property- Buildings	147,370	478,800
Motor vehicle expenses	152,700	247,200
Maintenance of Plant and Machinery	34,500	-
Maintenance of Office Equipment	50,000	-
<b>Total repairs and maintenance</b>	<b>384,570</b>	<b>726,000</b>

*Disclosure: Included in the repair and maintenance costs of Ksh.384,570, is a total of Ksh. 20,000 for maintenance of motor vehicle for the FY 2023/2024 which had not been expensed in that financial year.*

**12. General Expenses**

Description	2024/2025	2023/2024
	Kshs	Kshs
Catering expenses	30,000	65,000
Bank charges	21,287	33,413
Electrical expenses	-	135,000
Fuel and Lubricants	265,400	740,264
Travel and accommodation allowance	393,800	2,658,250
Household Appliances	-	20,000
Printing and stationery	415,900	415,150
Water and sewerage costs	72,800	52,980

**Kyuso Sub-County Hospital (Kitui County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025**

Other Fuels	385,000	287,000
Telephone and mobile phone services	110,000	110,000
<b>Total General Expenses</b>	<b>1,694,187</b>	<b>4,517,057</b>

*Disclosure: Included in the general expenses of Ksh.1,694,187, is a total of Ksh. 150,000 for for the FY 2023/2024 which had not been expensed in that financial year. Ksh. 20,000 for refined fuels, Ksh. 60,000 for other fuels and Ksh. 70,000 for general office supplies.*

**13. Refunds to the County Government**

Description	2024/2025	2023/2024
	KShs	KShs
Transfer to the County Government	6,545,767	7,890,048
<b>Total transfers to County Government</b>	<b>6,545,767</b>	<b>7,890,048</b>

**14. In-kind contributions from The County Government**

Description	2024/2025	2023/2024
	KShs	KShs
Salaries and wages - Casuals	204,688	-
Salaries and wages - P/P Staff	63,817,711	61,920,295
Medical supplies-Drawings Rights (KEMSA)	2,943,708	2,747,404
Pharmaceuticals and Non-Pharmaceutical Supplies (MEDS)	1,813,533	4,924,460
<b>Total grants in kind</b>	<b>68,779,640</b>	<b>69,592,159</b>

**15. Cash And Cash Equivalents**

Description	2024/2025	2023/2024
	KShs	KShs
Current accounts	82,639	11,168
<b>Total cash and cash equivalents</b>	<b>82,639</b>	<b>11,168</b>

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

Description		2024/2025	2023/2024
Financial institution	Account number	KShs	KShs
a) <b>Current account</b>			
Kenya Commercial bank	1156755654	2,197	10,976
Kenya Commercial bank	1156754364	80,442	192
<b>Grand total</b>		<b>82,639</b>	<b>11,168</b>

**Notes to Financial Statements Continued**

**16. Receivables From Exchange Transactions**

Description	2024/2025	2023/2024
	KShs	KShs
Medical services receivables	1,923,151	1,696,757
<b>Total receivables</b>	<b>1,923,151</b>	<b>1,696,757</b>

**Analysis of Receivables from Exchange Transactions**

Description	2024/2025		2023/2024	
	Kshs		Kshs	
	2024/2025	% of the total	2023/2024	% of the total
Less than 1 year	1,923,151	100%	1,078,500	64%
Over 1 year	-		618,257	36%
<b>Total (a+b)</b>	<b>1,923,151</b>	<b>100%</b>	<b>1,696,757</b>	<b>100%</b>

**17. Inventories**

Description	2024/2025	2023/2024
	KShs	KShs
Pharmaceutical and Non-Pharmaceutical Supplies	644,000	1,688,421
<b>Total</b>	<b>644,000</b>	<b>1,688,421</b>

**Detailed disclosure on inventories**

Description	2024/2025	2023/2024
Opening balance	1,688,421	-
Additional Inventory in the year	4,757,241	7,671,864
Inventory expensed in the year	5,801,662	5,983,443
Closing balance	<b>644,000</b>	<b>1,688,421</b>

*Kyuso Sub-County Hospital (Kitui County Government)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025*

*Notes to the Financial Statements (Continued)*

**18. Property, Plant and Equipment**

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Other Assets (speci)	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh		Ksh	Ksh
<b>Cost</b>									
At 1 July 2023 (previous year)									
Additions									
Disposals									
Transfers/adjustments									
Revaluation Adjustments									
<b>At 30<sup>th</sup> Jun 2024</b>									
At 1 July 2024 (current year)									
Additions									
Disposals									
Transfer/adjustments									
Revaluation Adjustments									
<b>At 30<sup>th</sup> Jun 2025</b>									
<b>Depreciation and impairment</b>									
At 1 July 2023 (previous year)									
Depreciation for the year									

**Kyuso Sub-County Hospital (Kitui County Government)**

**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025**

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Other Assets (speci)	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh		Ksh	Ksh
Disposals									
Impairment									
<b>At 30 June 2024</b>									
At July 2024 (current year)									
Depreciation									
Disposals									
Impairment									
Transfer/adjustment									
<b>At 30<sup>th</sup> June 2025</b>									
<b>Net book values</b>									
At 30 <sup>th</sup> Jun 2024 (previous)									
At 30 <sup>th</sup> Jun 2025 (current)									

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

**19. Trade and other Payables**

Description	2024/2025		2023/2024	
	KShs		KShs	
Trade payables	1,036,350		1,587,902	
Employee dues	334,488		490,570	
Third-party payments	416,665		24,510	
<b>Total trade and other payables</b>	<b>1,787,503</b>		<b>2,102,982</b>	
<b>Ageing analysis:</b>	<b>2024/2025</b>	<b>% of the Total</b>	<b>2023/2024</b>	<b>% of the total</b>
Under one year	1,580,733	88%	1,865,462	89%
1-2 years	-	%	-	%
2-3 years	206,770	12%	237,520	11%
<b>Total</b>	<b>1,787,503</b>	<b>100%</b>	<b>2,102,982</b>	<b>100%</b>

**20. Cash Generated from Operations**

Description	2024/2025		2023/2024	
	KShs		KShs	
Surplus for the year before tax	(431,077)		1,081,094	
<b>Adjusted for:</b>			-	
Depreciation			-	
Non-cash grants received			-	
<b>Working Capital adjustments</b>				
Increase in inventory	1,044,421		(1,688,421)	
Increase in receivables	(226,394)		(772,807)	
Increase in payables	(315,479)		1,378,102	
<b>Net cash flow from operating activities</b>	<b>71,471</b>		<b>(2,032)</b>	

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

**21. Financial Risk Management**

The hospital's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The hospital'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 hospital does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

**(i) Credit risk**

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2024 (previous year)				
Receivables from exchange transactions	1,696,757	1,696,757		
Bank balances				
<b>Total</b>	<b>1,696,757</b>	<b>1,696,757</b>		
At 30 June 2025 (current year)				
Receivables from exchange transactions	1,923,151	1,923,151		
Bank balances				
<b>Total</b>	<b>1,923,151</b>	<b>1,923,151</b>		

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

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 hospital has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The hospital has significant concentration of credit risk on amounts due. The board of management sets the hospital's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**(ii) Liquidity risk management**

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

The table below represents cash flows payable by the hospital 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.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2024</b>				
Trade payables		1,587,902		1,587,902
Current portion of borrowings				-
Provisions				-
Deferred income				-
Employee benefit obligation	515,080			515,080
<b>Total</b>	<b>515,080</b>	<b>1,587,902</b>	<b>-</b>	<b>2,102,982</b>
<b>At 30 June 2025</b>				-
Trade payables	330,993	892,488	206,770	1,430,251
Current portion of borrowings				-
Provisions				-
Deferred income			-	89,282
Employee benefit obligation	267,970	89,282		267,970
<b>Total</b>	<b>598,963</b>	<b>981,770</b>	<b>206,770</b>	<b>1,787,503</b>

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

**(iii) Market risk**

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

**a) Foreign currency risk**

The hospital 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 hospital's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

Description	KShs	Other currencies	Total
	Kshs		Kshs
<b>At 30 June 2025</b>			
Financial assets (investments, cash, debtors)			
Liabilities			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)			

The hospital 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.

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

Description	KShs	Other currencies	Total
	Kshs		Kshs
<b>At 30 June 2025</b>			
Financial assets (investments, cash, debtors)			
Liabilities			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)			

**Foreign currency sensitivity analysis**

The following table demonstrates the effect on the hospital's statement of financial performance on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

Description	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
<b>2024 (previous year)</b>			
Euro	10%		
USD	10%		
<b>2025 (current year)</b>			
Euro	10%		
USD	10%		

**b) Interest rate risk**

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

**Management of interest rate risk**

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

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

**Sensitivity analysis**

The hospital 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.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of financial performance if current floating interest rates increase/decrease by one percentage point as a decrease/increase. A rate increase/decrease of 5% would result in a decrease/increase in surplus

**iv) Capital Risk Management**

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

Description	2024/2025	2023/2024
	Kshs	Kshs
Revaluation reserve		
Retained earnings		
Capital reserve		
<b>Total funds</b>		
Total borrowings		
Less: cash and bank balances		
Net debt/ ( <i>excess cash and cash equivalents</i> )		
<b>Gearing</b>		

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

**22. Related Party Balances**

**Nature of related party relationships**

Entities and other parties related to the hospital 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.

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

- i) The National Government;
- ii) The County Government;
- iii) Board of Directors;
- iv) Key Management

Description	2024/2025	2023/2024
	Kshs	Kshs
<b>Transactions with related parties</b>		
<b>a) Services offered to related parties</b>		
Services to NHIF and SHA	1,923,151	1,696,757
<b>Total</b>	<b>1,923,151</b>	<b>1,696,757</b>
<b>b) Grants from the Government</b>		
Grants from County Government		
Grants from the National Government Entities		
Donations in kind		
<b>Total</b>		
<b>c) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for employees		
Payments for goods and services		
<b>Total</b>		
<b>d) Key management compensation</b>		
Directors' emoluments		

**Kyuso Sub-County Hospital (Kitui County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025**

Description	2024/2025	2023/2024
	Kshs	Kshs
Compensation to the medical Sup		
Compensation to key management		
<b>Total</b>	<b>1,923,151</b>	<b>1,696,757</b>

**23. Events after the Reporting Period**

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

**24. Ultimate and Holding Hospital**

The Hospital is a Semi- Autonomous County Government Agency under the Ministry of Health. Its ultimate parent is the County Government of Kitui.

**25. Currency**

The financial statements are presented in Kenya Shillings (Kshs) and all values are rounded off to the nearest shilling.

*Kyuso Sub-County Hospital (Kitui County Government)  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025*

**20. Appendices**

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

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have provided the time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Non-Disclosure of Property, Plant and Equipment.	The management acknowledges the audit observation. The hospital has an updated list of assets whose valuation has not been done. The county government of Kitui commits do conduct a valuation process, which will result in the management disclosing the PPE in the subsequent financial years.	Not Resolved	June 2026
2	Variance in Receivables from Exchange Transactions	The management acknowledges the audit observation of the variances in receivables. The variance of Ksh, 142,723 between the hospital balances and that of NHIF were invoices claimed by the hospital which the NHIF claims office had not approved by the time of audit. The claims have since been approved and paid.	Resolved	June 2025
3	Non-Compliance with Universal Health Coverage (UHC)	The management has noted the gaps in the implementation of universal health coverage (UHC). The County Government of Kitui is committed to progressively filling the Human Resources for health gaps to achieve the goals of Universal Health Coverage.	Not Resolved	June 2026
4	Failure to Maintain Fixed Assets Register	The management acknowledges the audit observation for failure to maintain Fixed Assets Register. However, the management maintains an updated list of all fixed assets whose values have not been determined through valuations by the county government of Kitui	Not Resolved	June 2026

**Kyuso Sub-County Hospital (Kitui County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025**

5	Long Outstanding Trade Payables.	The management acknowledges the audit observation on long outstanding payables. The management is tracking the proper documentation for payment processing of all the long outstanding bills promptly.	Not Resolved	June 2026
6	Lack of Hospital Management Board	The hospital management has noted the audit observations for the lack of hospital management board. The management is following up with the county government of Kitui to ensure the hospital board is constituted to perform its role.	Not Resolved	June 2026
7	Lack of Disaster Recovery Plan	The hospital management has noted the audit observations for the lack of disaster recovery plan. The county government of Kitui has an overall recovery plan, which was approved by the County Executive Committee. It encompasses the Ministry of Health and Sanitation risk management that is being implemented by the hospital.	Not Resolved	June 2026
8	Lack of Internal Audit Review	The management acknowledges the audit observation for lack of an internal audit reviews. However, there is an internal audit unit at the county level that is mandated to conduct regular reviews. The management will engage the county government to ensure audit reviews are conducted on regular basis at the hospital.	Not Resolved	June 2026
9	Management of Storage of Pharmaceuticals Commodities	The management acknowledges the audit observation for inadequate storage of commodities. The management is taking steps though lobbying for more resources from the county government of Kitui to implement inventory management system and acquire more storage shelves for the pharmaceuticals.	Not Resolved	June 2026
10	Expiry of Medical Supplies	The management acknowledges the observation. Expired medical supplies are recorded in F.O 58 forms and quarantined away from other commodities. However, the County Ministry of Health and Sanitation has constituted a disposal committee for valuation and disposal of the expired supplies.	Not Resolved	June 2026



MEDICAL SUPERINTENDENT  
 KYUSO SUB-COUNTY HOSPITAL

24 OCT 2025

Dr. Curtis Kamau  
 Accounting Officer

P. O. Box 13 - 90401, KYUSO

*Kyuso Sub-County Hospital (Kitui County Government)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025*

**Appendix II: Projects Implemented by Ministry of Health and Sanitation**

**Status of Projects completion**

SN	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Construction Of OPD-Slab	4,995,995	4,995,995	100%	5,000,000	4,995,995	Kitui County
2	Construction Of A Female Ward	4,690,939	703,641	15%	4,500,000	703,641	Kitui County
3	Construction Of Kitchen	2,448,440	2,448,440	100%	2,500,000	2,448,440	Kitui County
4	Construction Of Theatre	6,750,565	6,075,509	90%	7,900,000	6,075,509	Kitui County
5	Construction Of A Pediatric Ward	4,690,000	4,690,000	100%	4,500,000	4,690,000	Kitui County
6	Procurement of Semi-Hematic Reciprocating Compressor For Mortuary	1,499,499	1,499,499	100%	1,500,000	1,499,499	Kitui County
7	Procurement Of 50 Kva Voltage Stabilizer for The X-Ray Machine	1,400,000	1,400,000	100%	1,403,400	1,400,000	Kitui County
8	Procurement Of Semi-Automated Hematology Analyzer	1,142,843	1,142,843	100%	1,300,000	1,142,843	Kitui County
9	Supply of Network Peripherals And Desktop Computer	1,061,500	1,061,500	100%	1,070,000	1,061,500	Kitui County
						<b>24,017,426</b>	

**Kyuso Sub-County Hospital (Kitui County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025**


**Appendix III: Inter-Hospital Confirmation Letter**


Name of transferring hospital: County Government of Kitui – Ministry of Finance

Name of Beneficiary hospital: Kyuso Sub County Hospital

Confirmation of amounts received by Kyuso Sub County Hospital as at 30 <sup>th</sup> June 2025					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
REC/0001103711	16-08-24	600,000	-	600,000	Received
REC/0001104410	03-10-24	729,840	-	729,840	Received
REC/0001105454	07-10-24	600,000	-	600,000	Received
KE/NAIROBI/KR/NAI	05-11-24	600,000	-	600,000	Received
KE/NAIROBI/KR/NAI	27-11-24	1,063,260	-	1,063,260	Received
KE/NAIROBI/KR/NAI	31-12-24	600,000	-	600,000	Received
KE/NAIROBI/KR/NAI	31-12-24	600,000	-	600,000	Received
KE/NAIROBI/KR/NAI	30-01-25	600,000	-	600,000	Received
KE/NAIROBI/KR/NAI	05-03-25	600,000	-	600,000	Received
KE/NAIROBI/KR/NAI	04-04-25	600,000	-	600,000	Received
<b>Total</b>		<b>6,593,100</b>		<b>6,593,100</b>	

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

**Head of Accounts Department - Disbursing Hospital:**  
 Name ..... ANNASIRIA KANINI ..... Sign .....  ..... Date ..... 24-10-25 .....

**Head of Accounts Department - Beneficiary Hospital:**  
 Name ..... Teddy Kyalo ..... Sign .....  ..... Date ..... 24/10/2025 .....