

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

131



OF

THE AUDITOR-GENERAL

ON

PAPERS LAID	
DATE	18/2/25
TABLED BY	W. E. EGWE
COMMITTEE	
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KATULANI LEVEL 4 HOSPITAL

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

COUNTY GOVERNMENT OF KITUI

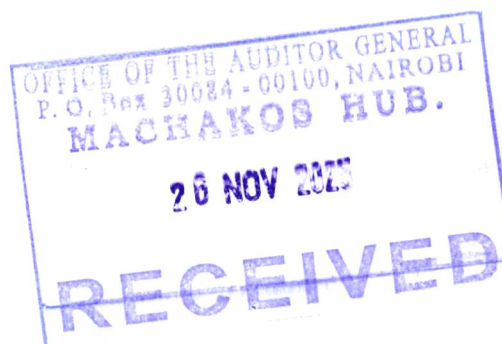


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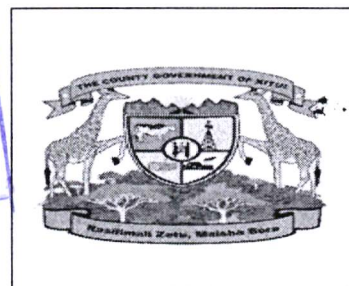
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Revised 30th June 2025



Katulani Level 4 HOSPITAL (Kitui County Government)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2025

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



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1. Acronyms & Glossary of Terms

Provide a list of all acronyms and glossary of terms used in the preparation of this report e.g.

CSR	Corporate Social Responsibility
OSHA	Occupational Health & Safety Act
PFMA	Public Financial Management Act
MED SUP	Medical Superintendent
Fiduciary Management	Key management personnel who have financial responsibility in the entity
KSCH	Katulani sub county hospital
CRF	County Revenue Fund

(This list is an indication of the common acronyms and glossary of terms; the Katulani level iv hospital should include all from the annual report and financial statements prepared)

2. Key Katulani level iv hospital Information and Management

(a) Background information

Katulani level 4 Hospital is a level (4) hospital established under gazette notice 768 dated 4th Feb 2020 and is domiciled in Kitui County under the Health and Sanitation Department. The hospital is governed by a Board of Management.

(b) Principal Activities

The principle activity of the hospital is to offer quality healthcare services to the people of all walks of life.

Vision: An efficient quality healthcare system that is accessible, equitable and affordable to all Kenyans.

Mission: To inspire hope and contribute to health and wellbeing by providing the best care to every patient through integrated clinical practice education and research.

Core values: Integrity, Professionalism, Team Work, Accountability, Responsiveness.

(c) Key Management

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

- County department of health
- Board of Management
- Accounting Officer/ Medical Superintendent
- Management
- Others (*specify*)

(d) Fiduciary Management

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

No.	Designation	Name
1.	CECM-County Treasury	Peter Kilonzo
2.	CECM-Health and Sanitation	Ruth Koki
3.	Chief Officer- County Treasury	John Kimwele
4.	Chief Officer-Health and Sanitation	Benson Musyoka
5.	Medical Superintendent	Dr. Dennis Nyariki

(e) Fiduciary Oversight Arrangements

[Here, provide a high-level description of the key fiduciary oversight arrangements covering (say)]

- Clinical Research and Standards Committee.
- Audit committee
- Risk Committee
- County Assembly
- Parliamentary committees

Key Information and Management (continued)

(f) Katulani level 4 hospital Headquarters

P.O. Box 1355-90200
Katulani Level IV Hospital
Katulani, Kitui

(g) Katulani level 4 hospital Contacts

Telephone: 0701273066
E-mail: Katulanihosi@gmail.com
Website: www.kitui.go.ke

(h) Katulani level 4 hospital Bankers

KCB BANK
Kitui Branch
P. O. Box Katulani 90200
Kitui, Kenya

(i) Independent Auditors

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

(j) Principal Legal Adviser

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



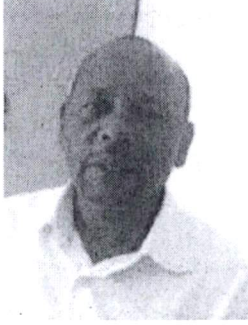

(k) County Attorney





P.O. Box 33-90200
Kitui, Kenya

3. The Board of Management

Not in place.

4. Key Management Team

1.	<p>Dr. Dennis Nyariki</p> <p>Academic: Bachelor of Medicine and Bachelor of surgery</p>	<p>Medical Superintendent</p> 
2.	<p>Margaret Kavembe</p> <p>Academic: Bachelor of commerce finance</p>	<p>Head of Finance</p> 
3.	<p>Jeremiah kasungi</p> <p>Academic: Masters of public health .</p>	<p>Head of Nursing</p> 
4.	<p>Rose Mumbe</p> <p>Academic: Bachelor of purchasing and supplies management</p>	<p>Head of supply chain</p> 
5.	<p>Gladys kavengi</p>	<p>Head of Laboratory</p>

	<p>Academic: Diploma in Medical Laboratory sciences</p>	
6.	<p>Dr. Albert Muthengi</p> <p>Academic: Bachelor of pharmacy</p>	<p>Head of Pharmacy</p> 
7.	<p>James Mulu</p> <p>Academic: Diploma and currently doing Bachelor of science in clinical medicine</p>	<p>Head of Clinical Department</p> 
8.	<p>Sammy Mwami</p> <p>Academic: Bachelor of science in Biochemistry</p>	<p>Health Administrative Officer</p> 

5. Chairman's Statement

The board of management was not in place during the closure of the year as their appointment was revoked in the 2nd quarter of the fiscal year 2023/2024 under the gazette notice number 13546 dated 6th October 2023.

.....

Name

Chairman to the Board

6. Report of The Medical Superintendent

Operation environment.

Am delighted to report on the performance of the facility for the fiscal year 2024-2025. The facility's performance has shown much resilience through the tough economic times occasioned by the rising inflation, recurrent healthcare workers' strikes and inadequate funding. The cash flows were relatively stable in the first half of the fiscal year. This however took a downturn in the second half due to prolonged, sustained healthcare workers' industrial action involving key cadres in the service delivery. The revenues generated were on the lower side of the projected returns.

These challenges notwithstanding. The facility managed to do a lot of renovations to the station to improve healthcare services. Further, we raised our revenue collection through registering more patients to SHA system, hence more collection. Facility also received more desktop computers, installation of network peripheral and haematology analyzer from county Government. With more funds to the facility, many gains have been made that could not be listed here, thanks to the teamwork at the facility and the support from the CHMT. Generally, there has been positive efforts from all relevant stakeholders and partners towards improving the general outlook and optimising on the services rendered to our catchment area. With this, a better future for the facility lies on a solid foundation with great promise.

Future plans.

The hospital seeks to improve on the quality of care to its clients on the currently available services and also lobbies to have more services offered. For this to be realised, there needs to be a sizeable capital investment to renovate the existing structures and set up other critical infrastructure such as a theatre, dental unit, optical unit, blood unit, completion of stalled borehole, acquisition of ambulance, construction of administration block, hospital fence, standard level IV hospital gate, stand-alone MCH, among others. The hospital has engaged the county administration, donors and partners and other stakeholders to help realise this vision. More efforts have also been put towards sensitisation of our catchment population of the services we offer, uptake of SHA and also seeking suggestions on how to improve our service to the satisfaction of our clients. The aim of this move is to maximise on returns without compromise on the quality service delivery.

We look forward to more support from The National Government, The County Government of Kitui, our partners and well-wishers including non-governmental organizations in realization of the facility mission and vision as a Level IV Hospital



.....
Dr. Dennis Nyariki.

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 Katulani level iv hospital’s performance against predetermined objectives.

Katulani sub county hospital (KSCH) has 3 strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2024Katulani FY 2025. These strategic pillars/ themes/ issues are as follows;

Pillar /theme/issue 1: Revenue increase.

Pillar/theme/issue 2: Increase customer satisfactory.

Pillar/theme/issue 3: Enhance institutional capacity.

KSCH develops its annual work plans based on the above 3 pillars/Themes/Issues. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The KSCH achieved its performance targets set for the FY 2024/2025 period for its 3 strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar/ theme/ issue 1: Increase Revenue	To increase our services.	1.Increased services. 2.Increase customers. 3.Timely collection of revenue from patients	Increased revenue	Improvement in collection efficiency.
Pillar/ theme/ issue 2: Increased customer satisfactory.	Good customer relations	1. increased customer participation 2. Prompt handling customer	Good customer care services. Implement an effective feedback	Good customer relation

*Katulani level iv Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025*

		complaint/issues	mechanism for customers.	
Pillar/theme/issue 3: Enhance institutional capacity	High productivity and retain qualified staff. Increase funding to KSCH.	1. Improved performance. 2. Increase staff motivation. 3. Timely collection of county government allocation located for facility	1 Enhance staff training. 3. performance management and reward. 4. Enhance effective financial management	Being done.

8. Corporate Governance Statement

Corporate governance is the process and structure used to direct and manage business affairs of the facility toward enhancing prosperity and corporate accounting with the ultimate objective of realizing stakeholders' long term value.

The facility conduct its operation in accordance with the principle of good corporate governance.

Membership/Board of Directors.

The total membership of the committee is Nine (9) members who were nominated by the County Executive Committee Member for Health and Sanitation and forwarded to the Governor, Kitui County for approval. The role of chairperson and Chief Executive Officer are segregated. Medsup is in charge of day to day running of business of the facility, a non executive director act as a chairman of the board.

Succession

The succession to the facility health management committee is as follows: Katulani

A member of the committee, apart from the Secretary, shall hold office for a period of three years and shall be eligible for re- appointment for one further term based on the performance.

Funds of the Committee

The Hospital Management Committee shall manage all the hospital funds which consist of:

- Monies appropriated by the County Assembly;
- Grants or donations
- Monies received as user charges
- Income generated from the proceeds of the services
- Any other monies

Meetings of the Committee

- (a) The committee shall meet at least four times a year and shall maintain records for its deliberations and shall further allow room for emergency meetings in case of outbreaks or disasters.
- (b) The quorum for the meeting of the committee shall be five of all the members including the secretary.
- (c) The secretary shall maintain records for all committee deliberations.
- (d) The Committee shall, not later than twenty-eight (28) days after a meeting, submit copies of the minutes and reports of that meeting to the County Executive Committee Member and the committee members.
- (e) A meeting of a committee shall be held at the hospital in respect of which the committee is established.
- (f) The County Executive Committee Member may attend any meeting of a committee, provided the area members of the county assembly in the sub county where the hospital is situated shall be at liberty to attend any meetings of the committee in furtherance of their oversight role.

Functions of the Hospital Management Committee

The committee shall –

- (a) Supervise and control the administration of the funds allocated to Katulani hospital
- (b) The hospital management committee shall through minutes request for the authority to open and operate a bank account from the County Executive Committee Member
- (c) Prepare specific hospital work plans based on the estimated expenditure and drugs stocking levels based on usage.
- (d) Cause to be kept basic books of accounts
- (e) Cause to be kept records of accounts of income, expenditure, assets and liabilities of the hospital.
- (f) Prepare and submit to the Chief officer in the department of health and sanitation certified periodical financial and performance reports as prescribed
- (g) Cause to be kept a permanent record of all its deliberations
- (h) Ensure planning that is consistent with the National and County Government policies, laws and regulations.
- (i) Review and approve all hospital plans including but not limited to development plans, service delivery plans and activities plans
- (j) Provide oversight to the hospital
- (k) Approve and authorise hospital budgets and expenditure.

Core responsibilities of the Katulani sub county hospital Management Committee

The responsibilities of the committee are outlined as follows:

- (a) Overseeing hospital performance improvement
- (b) Participating in planning for the hospital
- (c) Mobilising resources for hospital improvement
- (d) Overseeing the financial operations of the hospital
- (e) Ensuring development of human resources
- (f) Ensuring compliance with environmental regulations and standards
- (g) Enhancing relationships and partnerships
- (h) Mitigating potential conflict of interest
- (i) Risk management
- (j) Regulatory compliance

Vacation of office and remuneration of the committee members.

A member of the Committee shall cease to hold office:

- (a) if a member is absent from three consecutive meetings of the committee without permission from the chairperson
- (b) in the case of a member of a public benefits organization, the member ceases to hold the office by virtue of which his or her nomination was made
- (c) a member is convicted of a criminal offense and sentenced to a term of imprisonment of six months or more or a fine exceeding one hundred thousand Kenya shillings
- (d) a member ceases to reside or practice in the area of hospital jurisdiction
- (e) a member voluntarily resigns in writing from the committee formally
- (f) a member is found to be unfit to hold the position on medical grounds
- (g) a member dies
- (h) a member is involved in an act resulting to conflict of interest with the position held by the member
- (i) a member is guilty of gross misbehaviour or misconduct
- (j) a member is found to be incompetent to hold the position
- (k) a member is convicted of an offence involving dishonesty or fraud

- (l) a member is adjudged bankrupt or enters into a composition scheme of arrangement with his or her creditors or
- (m) a genuine petition from the public is lodged against the member.

Remuneration: Katulani

The members remuneration shall be determined by the Salaries and Remuneration Commission.

Relationship between the Hospital Management team and Hospital Management Committee

(1) The Hospital Management committee shall notify the hospital management team of all its meetings and ensure that the minutes and plans of every meeting are supplied to the hospital management team within seven (7) days of its meetings.

(2) The hospital management team shall ensure that the minutes received under this section are forwarded to the Chief officer in the county ministry of health and sanitation who shall in turn brief the County Executive Committee member on the minutes and plans.

9. Management Discussion and Analysis

The following is a brief outline of management discussion and analysis: Katulani

Clinical/operational performance

Katulani Sub County Hospital being geographically centrally located within Kitui Central receives patients from Mulango Ward and its environment.

The Maternity ward has an 18 beds capacity while the inpatient rooms are 12 beds capacity The facility also has a 2 bed accident and emergency room used for casualty patients.

SPECIALISED CLINIC ATTENDANCE

The following line graphs show the special clinics attendance for year ended 30th June 2025 including Medical outpatient clinic (MOPC), Comprehensive care clinic (CCC) for HIV patients and Tuberculosis (TB) clinic.

There is a significant drop in MOPC clients towards the start of the first quarter which can be explained by expired Kitui county health insurance(K-CHIC) cards for the patients and thus could not access health care since the patients did not have any other form of health insurance to cover for their care.

Notes

Financial performance that includes

Revenue is collected as service fees for the health care services administered to the patients The revenue streams included NHIF, SHA and via MPESA to the Kitui County Government Paybill number 815815 and facility paybill 4166159.

The Major revenue source for the facility are the funds that are disbursed from the County government in the form of FIF (facility improvement funds)

FINANCIAL YEAR	2024/2025
	Kshs.
Transfers from the County Government	5,895,000
Income From Rendering Services	10,713,503
Expenditure	15,980,816
Difference	627,687

The funds were mainly used to run the day to day activities of the facility including Food and ration,

Cleaning materials, Casual wages, Locums, Daily subsistence allowances, Records materials, Water and Sewerage, Electricity, Fuels, Station Maintenance among others.

The summary breakdown is as follows;

Employee cost	Ksh.	1,244,634
Medical cost	Ksh	3,413,915
Repair and Maintenance	Ksh	354,066
General Cost	Ksh.	2,325,781
Refund to County government	Ksh.	8,642,420
<i>Total Expenditure</i>	<i>Ksh.</i>	15,980,816

10. Environmental And Sustainability Reporting

Katulani Sub County Hospital exists to transform lives. It's what guides us to deliver our strategy, putting the welfare of the patient first in delivering health services. Below is an outline of the organisation's policies and activities that promote sustainability.

i) Sustainability strategy and profile

The hospital has planted trees in the hospitals compound to improve environmental sustainability of the region

ii) Environmental performance

The area around the hospital receives fair amount of rainfall.

iii) Employee welfare

The hospital operates as per the set Human Resource Policies borne by the County and International levels.

Vii. Market place practices.

The following can be stated in relation to Katulani Sub County Hospital:

a) Responsible competition practice.

The organization is in existence to provide medical health services to the community and within the Sub County with no motive of making profits.

b) Responsible Supply chain and supplier relations

The hospital is equipped with experienced supply chain staff who coordinates with reliable suppliers to bring good and offer services as per the contracts given and prepare documents for payment processing.

c) Responsible marketing and advertisement

No advertisements are done but the hospital maintains good customer care services

d) Product stewardship

Mechanisms are put in place to make sure the services are offered by the facility in an effective and efficient manner.

iv) Corporate Social Responsibility / Community Engagements

Since the Covid 19 hit the country and also due to inadequate funding by the county government the Hospital minimized its CSR activities due to its effects and on the verge to continue with the engagement with the community.

11. Report of The Board of Management

The Board members submit their report together with the Audited Financial Statements for the year ended June 30, 2025, which show the state of the *hospital's* affairs.

Principal activities

The principal activities of the Katulani level 4 hospital are to provide health care.

Results

The results of the Katulani level 4 hospital for the year ended June 30 2025 are set out on pages 1 to 7

Board of Management

During the year, 2025 director(s) retired/ resigned, and no director (s) was appointed with effect from Katulani level 4 hospital date 6th October 2023.

Auditors

The Auditor General is responsible for the statutory audit of the *Katulani level 4 hospital* in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



.....
Dr. Dennis Nyariki

Secretary to the Board



12. Statement of Board of Management's Responsibilities

Section 164 of the Public Finance Management Act, 2012 (*entities should quote the applicable legislation under which they are regulated*)) requires the Board of Management to prepare financial statements in respect of that *Katulani level 4 hospital*, which give a true and fair view of the state of affairs of the *Katulani level 4 hospital* at the end of the financial year/period and the operating results of the *Katulani level 4 hospital* for that year/period. The Board of Management is also required to ensure that the *Katulani level 4 hospital* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *Katulani level 4 hospital*. The council members are also responsible for safeguarding the assets of the *Katulani level 4 hospital*.

The Board of Management is responsible for the preparation and presentation of the *Katulani level 4 hospital's* financial statements, which give a true and fair view of the state of affairs of the *Katulani level 4 hospital* for and as at the end of the financial year (period) ended on June 30, 2024. 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 *Katulani level 4 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 *Katulani level 4 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 *Katulani level 4 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 (*– entities should quote applicable legislation as indicated under*). The Board members are of the opinion that the *Katulani level 4 hospital's* financial statements give a true and fair view of the state of *Katulani level 4 hospital's* transactions during the financial year ended June 30, 2024, and of the *Katulani level 4 hospital's* financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the *Katulani level 4 hospital*, which have been relied upon in the preparation of the *Katulani level 4 hospital's* financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Directors have assessed the Fund's ability to continue as a going concern (*disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements*) OR

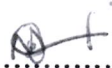
Nothing has come to the attention of the Board of management to indicate that the *Katulani level 4 hospital* will not remain a going concern for at least the next twelve months from the date of this statement.

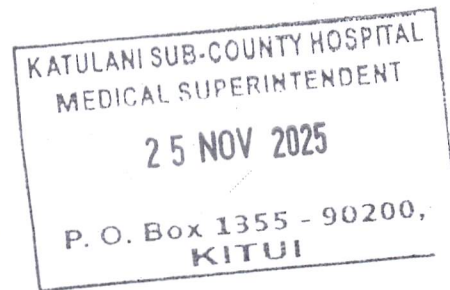
Katulani level iv Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Approval of the financial statements

The Hospital's financial statements were approved by the Board on 20/11/2025
and signed on its behalf by:

.....
Name:
Chairperson
Board of Management


.....
Name: Dr. Dennis Nyariki.
Accounting Officer



REPUBLIC OF KENYA

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



Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON KATULANI LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2025 - COUNTY GOVERNMENT OF KITUI

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 Katulani Level 4 Hospital - County Government of Kitui set out on pages 1 to 38, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison

Report of the Auditor-General on Katulani Level 4 Hospital for the year ended 30 June, 2025 - County Government of Kitui

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 effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Katulani Sub-County Hospital - County Government of Kitui 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

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 various assets including land, buildings, motor vehicles, furniture, computers and equipment which were not disclosed in the financial statements. Further, ownership documents for land were not provided for audit review.

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

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Katulani Level 4 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.

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 effects of the matter 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

The Management is responsible for the Other Information set out on pages iii to xix 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 the Hospital's records and interviews on verification of services offered, equipment used and medical specialists in the Hospital as at the time of audit revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits of ninety-three (93) or approximately 92% of the authorized establishment.

Staff Requirements	Level 4 Standard	Number In Hospital	Variance	Percentage %
Medical Officers	16	1	15	94
Anaesthesiologists	2	0	2	100
General Surgeons	2	0	0	100
Gynaecologists	2	0	0	100
Paediatrics	2	0	0	100
Radiologists	2	0	0	100
Kenya Registered Community Health Nurses	75	7	68	91
Total	101	8	93	92

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

Service	Level Hospital Standard	Actuals in the Hospital	Variance	Percentage %
Beds	150	34	116	77
Resuscitare (2 in labour & 1 in theatre)	3	1	2	67
New Born Unit Incubators	5	1	4	80
New Born Unit Cots	5	1	4	80
Functional ICU Beds	6	0	6	100
High Dependency Unit (HDU) Beds	6	0	6	100
Renal Unit with at least 5 Dialysis Machines	5	0	5	100
Two Functional Operational Theatres - Maternity & 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, Management was in breach in the law.

2. Failure to Retain Facilities Improvement Funds (FIF) at the Hospitals

Review of revenue records revealed that the Hospital collected a total Kshs.10,713,503 towards the Health Facilities Improvement which include a total of Kshs.8,642,420 that was transferred to County Revenue Fund. This is contrary to Section 5(1) of the Facilities Improvement Financing Act, 2023 which requires that monies raised or received by or on behalf of Public Health Facilities be retained by the Facility and be paid into a separate facility improvement financing account.

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

The audit was conducted in accordance with ISSAIs 3000 and 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

As previously reported, 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 signed by the Chairman of the Board.

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

2. Lack of Finance Manual

The statement of financial performance reflects Kshs.72,325,533 and Kshs.71,697,846 in respect of total revenue and expenses respectively. However, there was no Finance Manual to guide on collection and utilization of revenue by the Hospital Management.

In the circumstances, the Hospital may not realize its full potential when operating without a Finance policy.

3. Expired of Medical Supplies

The statement of financial position reflects inventories balance of Kshs.2,332,847 which, as disclosed in Note 15 to the financial statements include pharmaceutical supplies of Kshs.559,874. Review of records revealed that pharmaceuticals totalling Kshs.389,080 had expired. However, Management had not prepared any report with recommendations for their disposal. In addition, no mitigation measures had been put in place to avoid expiry of drugs in future.

In the circumstances, the effectiveness of internal controls on management of pharmaceuticals supplies could not be confirmed.

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

Responsibilities of Management and the Board of Management

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal 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 to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Hospital or to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements 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.

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

Auditor-General's Responsibilities for the Audit

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

04 December, 2025

Katulani level iv Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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

Description	Note	2024/2025	2023/2024
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	6	5,895,000	5,105,000
In- kind contributions from the County Government	7	55,717,030	59,012,104
		61,612,030	64,117,104
Revenue from exchange transactions			
Rendering of services- Medical Service Income	8	10,713,503	4,965,148
Revenue from exchange transactions		10,713,503	4,965,148
Total revenue		72,325,533	69,082,252
Expenses			
Medical/Clinical costs	9	3,413,915	1,741,570
Employee costs	10	1,244,634	826,190
Repairs and maintenance	11	354,066	533,024
General expenses	12	2,325,781	2,123,292
Refunds to the County Government	8	8,642,420	1,422,970
In- kind contributions	7	55,717,030	59,012,104
Total expenses		71,697,846	65,659,150
Net Surplus / (Deficit) for the year		627,687	3,423,102

The Hospital's financial statements were approved by the Board on 20/11/2025 and signed on its behalf by:

.....
 Chairman

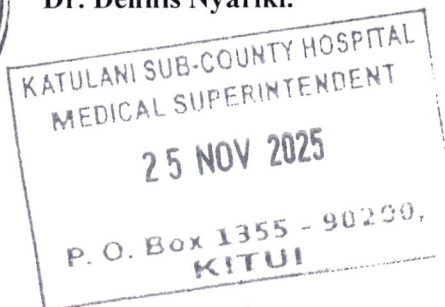
Board of Management



Head of Department
 ICEBAK No: 28870

[Signature]
 Medical Superintendent

Dr. Dennis Nyariki.



Katulani level iv Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025.

15. Statement of Financial Position As At 30th June 2025

Description	Note	2024/2025	2023/2024
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	13	610,374	2,222,241
Receivables from exchange transactions	14	3,197,698	1,301,750
Receivables from non-exchange transactions		-	-
Inventories	15	2,332,847	1,035,468
Total Current Assets		6,140,920	4,559,459
Non-current assets			
Total Non-current Assets			
Total assets (A)		6,140,920	4,559,459
Liabilities			
Current liabilities			
Trade and other payables	16	2,012,628	1,058,854
Total Current Liabilities		2,012,628	1,058,854
Non-current liabilities			
Total Non-current liabilities			
Total Liabilities (B)		2,012,628	1,058,854
Net assets (A-B)		4,128,292	3,500,605
Represented by:			
Revaluation reserve			
Accumulated surplus/Deficit		4,128,292	3,500,605
Capital Fund			
Net Assets		4,128,292	3,500,605

Katulani level iv Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025.

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

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2023		77,503		77,503
Revaluation gain		-	-	-
Surplus/(deficit) for the year		3,423,102.00	-	3,423,102
Capital/Development grants		-	-	-
As at June 30, 2024	-	3,500,605.00		3,500,605
				-
At July 1, 2024	-	3,500,605	-	3,500,605
Revaluation gain				-
Surplus/(deficit) for the year		627,687		627,687
Capital/Development grants				-
At June 30, 2025	-	<u>4,128,292</u>	<u>-</u>	<u>4,128,292</u>

Katulani level iv Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025.

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

Description	Note	2024/2025	2023/2024
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government		5,895,000	5,605,000
Rendering of services- Medical Service Income		7,515,804	3,640,930
Total Receipts		13,410,804	9,245,930
			-
Payments			-
Medical/Clinical costs		2,828,615	1,936,500
Employee costs		1,097,490	889,190
Repairs and maintenance		316,166	558,024
General expenses		2,137,981	2,281,146
Refunds to the County Government		8,642,420	1,422,970
Total Payments		15,022,672	7,087,830
Net cash flows from operating activities	18	(1,611,868)	2,158,100
Cash flows from investing activities			-
Purchase of property, plant, equipment & intangible assets			(-)
Net cash flows used in investing activities			(-)
Cash flows from financing activities			
Net cash flows used in financing activities			-
Net increase/(decrease) in cash and cash equivalents		(1,611,868)	2158100
Cash and cash equivalents as at July 1, 2023	13	2,222,241	64141
Cash and cash equivalents as at June 30, 2024	13	610,373	2,222,241

Katulani level 4 Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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						
Revenue						
Transfers from the County Government	6,000,000		6,000,000	5,895,000	105,000	98%
Rendering of services- Medical Service Income	10,713,503		10,713,503	10,713,503	-	100%
Total income	16,713,503	-	16,713,503	16,608,503	105,000	99%
Expenses						
Medical/Clinical costs	3,671,083		3,671,083	3,413,915	257,168	93%
Employee costs	1,400,000		1,400,000	1,244,634	155,366	89%
Repairs and maintenance	500,000		500,000	354,066	145,934	71%
General expenses	2,500,000		2,500,000	2,325,781	174,219	93%
Refunds	8,642,420		8,642,420	8,642,420	-	100%
Total Payments	16,713,503	-	16,713,503	15,980,816	732,687	96%
Surplus for the period	-	-	-	627,687	(627,687)	
Capital expenditure						

Katulani level iv Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025.

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	A
1	Reason for differences	0
2	Reason for differences	0
3	Reason for differences	0
4	Reason for differences	0
	Closing Cash and Cash Equivalent as per the statement of Cash flows	610,373

19. Notes to the Financial Statements

1. General Information

Katulani level iv hospital is established by and derives its authority and accountability from The medical practitioners and Dentists Act. The Katulani level iv hospital is wholly owned by the Kitui County Government and is domiciled in Kenya. The Katulani level iv hospital's principal activity is provide medical healthcare within and outside its subcounty.

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 *Katulani level iv 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, are disclosed in Note Kitui The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *Katulani level iv hospital*. The financial statements have been prepared in accordance with the PFM Act, and *(include any other applicable legislation)*, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

(When an IPSAS becomes effective on 1st January 2025, it is applicable in Kenya from 1st July 2025)

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.

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Katulani level iv 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>State the expected impact of the standard to the Katulani level iv hospital if relevant</i></p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><i>State the expected impact of the standard to the Katulani level iv hospital if relevant</i></p>

Standard	Effective date and impact:
<p>IPSAS 45- Property Plant and Equipment</p>	<p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, 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>State the expected impact of the standard to the Katulani level iv hospital if relevant</i></p>
<p>IPSAS 46 Measurement</p>	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p><i>State the expected impact of the standard to the Katulani level iv hospital if relevant</i></p>
<p>IPSAS 47- Revenue</p>	<p><i>Applicable 1st January 2026</i></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 Katulani level iv hospital shall apply to report useful</p>

Katulani level iv Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Standard	Effective date and impact:
	<p>information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p><i>State the expected impact of the standard to the Katulani level iv hospital if relevant</i></p>
<p>IPSAS 48- Transfer Expenses</p>	<p><i>Applicable 1st January 2026</i></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>State the expected impact of the standard to the Katulani level iv hospital if relevant</i></p>
<p>IPSAS 49- Retirement Benefit Plans</p>	<p><i>Applicable 1st January 2026</i></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>State the expected impact of the standard to the Katulani level iv hospital if relevant</i></p>
<p>IPSAS 50: Exploration For & Evaluation of Mineral Resources</p>	<p><i>Applicable 1st January 2027</i></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ul style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the Katulani level iv hospital's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized. <p><i>State the expected impact of the standard to the Katulani level iv hospital if relevant</i></p>

iii) Early adoption of standards

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

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 *Katulani level iv 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 Katulani level iv 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 Katulani level iv hospital.

Interest income

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

Rental income

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

Notes to the Financial Statements (Continued)

b. Budget information

The original budget for FY 2024/2025 was approved by Board. 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 Katulani level iv hospital upon receiving the respective approvals in order to conclude the final budget. Accordingly, the *Katulani level iv hospital* recorded additional appropriations on the FY 2024/2025 budget following the Board's approval. The *entity* 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. Investment property

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

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

e. Property, plant and equipment

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

Notes to the Financial Statements (Continued)

f. Leases

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

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

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

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

g. Intangible assets

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

Notes to the Financial Statements (Continued)

h. Biological Assets

The Katulani level iv hospital recognizes biological assets when it controls the assets due to past events, it is probable that future economic benefits associated with the asset will flow to the Katulani level iv hospital, and when the fair value or cost of the asset can be measured reliably. Biological assets are initially and subsequently measured at fair value less costs to sell, except where fair value cannot be reliably determined. In such cases, the asset is measured at its cost less accumulated depreciation and any accumulated impairment losses. Changes in fair value less costs to sell are recognized in surplus/deficit in the period in which they occur.

i. Research and development costs

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

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

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

j. Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The Katulani level iv hospital does not have any hedge relationships and*

*therefore the new hedge accounting rules have no impact on the hospital's financial statements.
(amend as appropriate).*

A financial instrument is any contract that gives rise to a financial asset of one Katulani level iv hospital and a financial liability or equity instrument of another Katulani level iv hospital. At initial recognition, the Katulani level iv hospital measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification of financial assets

The Katulani level iv 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 Katulani level iv 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 Katulani level iv 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 Katulani level iv hospital classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

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

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the Katulani level iv hospital manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Impairment

The Katulani level iv hospital assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The Katulani level iv hospital recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note Kitui*.

Financial liabilities

Classification

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

k. 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 Katulani level iv hospital.

l. Provisions

Provisions are recognized when the Katulani level iv 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 Katulani level iv 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.

Notes to the Financial Statements (Continued)

m. 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 Katulani level iv 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 Katulani level iv hospital will incur in fulfilling the present obligations represented by the liability.

n. Contingent liabilities

The Katulani level iv 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.

o. Contingent assets

The Katulani level iv 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 Katulani level iv 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.

p. Nature and purpose of reserves

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

q. Changes in accounting policies and estimates

The Katulani level iv 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)

r. Employee benefits

Retirement benefit plans

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

s. Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. At each reporting date, foreign currency monetary items are translated using the closing rate. Non-monetary items measured in historical cost are translated using the exchange rate at the date of the transaction, and those measured at fair value are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising from the settlement of monetary items or translation of monetary/non monetary items at rates different from those at which they were initially reported are recognized in surplus or deficit in the period.

t. Borrowing costs

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

construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

u. Related parties

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

v. Service concession arrangements

The Katulani level iv 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 *Katulani level iv 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 *Katulani level iv hospital* also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

w. 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.

x. Comparative figures

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

y. 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 Katulani level iv 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 Katulani level iv 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 Katulani level iv 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 Katulani level iv 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 raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note Katulani. 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.

(Include provisions applicable for your organisation e.g provision for bad debts, provisions of obsolete stocks and how management estimates these provisions).

Notes to Financial Statements Continued

6. Transfers from the County Government

Description	2024/2025	2023/2024
	KShs	KShs
Unconditional grants		
Operational grant	5,895,000	5,105,000
Conditional grants		
User fee forgone		
Total government grants and subsidies	5,895,000	5,105,000

6 b Transfers from The County Government

Name of the Entity sending the grant	Amount recognized to of financial performance*	Amount deferred under deferred income	Amount recognised in capital fund.
	KShs	KShs	KShs
Kitui County Government	5,895,000		5,895,000
Total	5,895,000	-	5,895,000

7. In Kind Contributions from The County Government

Description	2024/2025	2023/2024
	KShs	KShs
Salaries and wages	51,983,282	52,507,896
Medical supplies-Drawings Rights (KEMSA)	788,142	2,723,443
Pharmaceuticals and Non-Pharmaceutical Supplies (MEDS)	2,945,606	3,780,765
Total grants in kind	55,717,030	59,012,104

Notes to Financial Statements Continued

8. Rendering of Services Medical Service Income

Description	2024/2025	2023/2024
	Kshs	Kshs
Pharmacy		362,345
Rendering of service.		
consultation		276,943
Orthopedic		198,920
Laboratory		151,590
outpatient		40,250
Registration and Files		4,300
X-Rays		110,550
Physiotherapy		16,720
ultrasound		81,330
SHA / NHIF Services	9,767,956	2,420,450
MPESA	945,547	1,301,750
Total revenue from the rendering of services	10,713,503	4,965,148

9. Medical/ Clinical Costs

Description	2024/2025	2023/2024
	Kshs	Kshs
Laboratory chemicals and reagents	15,900	
Food and Ration	784,120	813,370
Medical Records	710,800	679,500
X-ray films	663,000	
Non- pharms	864,945	
Sanitary and cleansing Materials	375,150	248,700
Total medical/ clinical costs	3,413,915	1,741,570

Katulani level iv Hospital (Kitui County Government)
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10. Employee Costs.

Description	2023/2024	2022/2023
	Kshs	Kshs
Salaries, wages, and allowances	756,000	692,000
Staff medical expenses and Insurance cover (NHIF.SHIF &NSSF CONTRIBUTION)	111,384	134,190
Other employee costs (<i>LOCUM</i>)	377,250	
Employee costs	1,244,634	826,190

11. Repairs And Maintenance

Description	2024/2025	2023/2024
	Kshs	Kshs
Property- Buildings	188,557	533,024
Maintainance of equipment	90,000	
Total repairs and maintenance	278,557	533,024

12. General Expenses

Description	2024/2025	2023/2024
	Kshs	Kshs
Bank charges	28,427	28,942
Conferences and delegations	70,000	61,800
catering services	40,000	-
Electricity expenses	153,000	158,600
Fuel and Lubricants	240,000	451,000
Other fuel	485,000	260,000
Travel and accommodation allowance	611,104	551,900
Printing and stationery	109,200	322,650
Water and sewerage costs	110,000	81,500
kitchen appliances	35,350	
service charter	58,000	
computer accessories	150,700	-
Airtime expenses	235,000	241,550
Total General Expenses	2,325,781	2,157,942

Notes to the Financial Statements (Continued)

13. Cash And Cash Equivalents

Description	2024/2025	2023/2024
	KShs	KShs
Current accounts	610,374	2,222,242
Total cash and cash equivalents	610,374	2,222,242

13 (a). Detailed Analysis of Cash and Cash Equivalents

Description		2024/2025	2023/2024
Financial institution	Account number	KShs	KShs
a) Current account			
Kenya Commercial bank	1156667747	7,219	4,282
Kenya Commercial bank	1156666392	598,245	2,217,960
Mobile money- Mpesa, Airtel money	4166159	4,910	
Total		610,374	2,222,242

14. Receivables From Exchange Transactions

Description	2024/2025	2023/2024
	KShs	KShs
Medical services receivables	3,197,698	1,301,750
Total receivables	3,197,698	1,301,750

Analysis of Receivables From Exchange Transactions

Description	2024/2025		2023/2024
	Kshs		Kshs
	Current FY	% of the total	Comparative FY
Less than 1 year	3,197,698	100%	1,301,750
Total	3,197,698	100%	1,301,750

15. Inventories

Description	2024/2025	2023/2024
	KShs	KShs
Pharmaceutical supplies	2,332,847	1,035,468
Non-Pharmaceutical supplies	-	-
Total	2,332,847	1,035,468

Detailed disclosure on inventories

	Insert Current FY	Insert Comparative FY
Opening balance	1,035,468	-
Additional Inventory in the year	3,733,748	-
Inventory expensed in the year	2,436,369	-
Write-downs in the year	-	-
Others specify	-	-
Closing balance	2,332,847	-

Notes to the Financial Statements (Continued)

16. Trade and other Payables

Description	2024/2025		2023/2024
	KShs		KShs
Trade payables	2,012,628		1,058,854
Employee dues	-		
Total trade and other payables	2,012,628		1,058,854
Ageing analysis:	2024/2025	% of the Total	2023/2024
Under one year	2,012,628	100%	1,058,854
1-2 years		%	
Total	2,012,628	100%	1,058,854

17. Cash Generated from Operations

Description	2024/2025		2023/2024
	KShs		KShs
Surplus for the year before tax	627,687		3,423,102
Adjusted for:			
Depreciation			
Non-cash grants received			
Working Capital adjustments			
Decrease/Increase in inventory	(1,297,379)		(489,636)
Decrease/Increase in receivables	(1,895,948)		(1,301,750)
Decrease/Increase in payables	953,774		276,694
Net cash flow from operating activities	(1,611,866)		(1,514,692)

Notes to the Financial Statements (Continued)

18. Financial Risk Management

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

(i) Credit risk

The Katulani level iv 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 Katulani level iv 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	1,301,750.00	-		-
Receivables from –non-exchange transactions	-	-	-	-
Bank balances	2,222,241.00	-	-	-
Total	3,523,991.00	-	-	-
At 30 June 2025 (current year)				
Receivables from exchange transactions	3,197,698.40	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	610,374.25	-	-	-
Total	3,808,072.65	-	-	-

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 Katulani level iv hospital has significant concentration of credit risk on amounts due from Katulanix. 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 Katulani level iv hospital's short, medium and long-term funding and liquidity management requirements. The Katulani level iv 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.

(iii) Market risk

The hospital has put in place an internal audit function to assist it in assessing the risk faced by the Katulani level iv 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 Katulani level iv 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-day implementation of those policies. There has been no change to the Katulani level iv hospital's exposure to market risks or the way it manages and measures the risk.

a) Foreign currency risk

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

The Katulani level iv 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
At 30 June 2025			
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
2024(previous year)			
Euro	10%	-	-
USD	10%	-	-
2025 (current year)			
Euro	10%	-	-
USD	10%	-	-

b) Interest rate risk

Interest rate risk is the risk that the Katulani level iv 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 Katulani level iv 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 of KShs (2025: KShs -). A rate increase/decrease of 5% would result in a decrease/increase in surplus of KShs -(2025 – Ksh.

iv) Capital Risk Management

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

Notes to the Financial Statements (Continued)

19. Related Party Balances

Nature of related party relationships

Entities and other parties related to the Katulani level iv 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.

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County Government is the principal shareholder of the *Katulani level iv hospital*, holding 100% of the *Katulani level iv hospital's* equity interest. The National Government of Kenya has provided full guarantees to all long-term lenders of the *Katulani level iv 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	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Transactions with related parties		
a) Services offered to related parties		
Services to Katulani	-	-
Sales of services to Katulani	-	-
Total	-	-
b) Grants from the Government		
Grants from County Government	-	-
Grants from the National Government Entities	-	-
Donations in kind	-	-
Total	-	-
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for Katulani employees	-	-
Payments for goods and services for Katulani	-	-
Total	-	-
d) Key management compensation		
Directors' emoluments	-	-
Compensation to the medical Sup	-	-
Compensation to key management	-	-
Total	-	-

20. Segment Information

21. Events after the Reporting Period

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

22. Ultimate and Holding Katulani level iv hospital

The Katulani level iv hospital is a County Corporation/ or a Semi-Autonomous Government Agency under the Department of Katulani. Its ultimate parent is the County Government of Katulani.

23. Currency

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

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 nominated focal persons to resolve the various issues as shown below with the associated 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 is committed to communicate with the ministry to perform revaluation process for the Assets.	Not Resolved	2026
2.	Budgetary control and performance	The under-funding and under-utilization was as a result of of unpaid claims from NHIF.	Resolved	2025
3.	Deficiencies in the implementation of UHC	The hospital management is doing a follow up on complying of Kenya quality model for health policy requirement.	Not resolved	2026
4.	Misleading classification of the hospital.	The management is working on getting the hospital classified correctly.		
5.	Outstanding NHIF claims	The hospital management has made an effort to recover the outstanding amount and some claims have been paid.	Resolved	2025
6.	Expired of medical supplies	The hospital management is doing a follow-up on proper disposal of the expiries through the office of the public health. On valuation of expired drugs will be reported in subsequent years	Not Resolved	2025

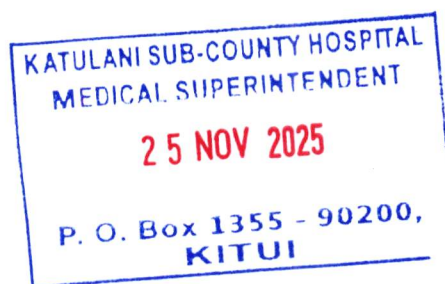
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
7.	Lack of hospital management board.	The hospital management is working on having Board in place in order to meet its strategic objectives.	Not resolved.	2026

Guidance Notes:

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

.....
Accounting Officer



Appendix II: Projects Implemented by The Katulani level iv hospital

Projects

Projects implemented by the Hospital Funded by development partners

Project title	Project Number	Donor	Period / duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1	11 desktop computer	county				yes
2	Installation of networking peripherals	county				yes
3	Haematology analyzer	county				yes

Status of Projects completion

(Summarise the status of project completion at the end of each quarter, i.e. total costs incurred, stage which the project is etc)

SN	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	11 desktop computer	1,011,450		100%	1,011,450	1,011,450	County
2	Installation of networking peripherals	313,280		100%	313,280	313,280	County
3	Haematology analyzer	1,142,842.75		100%	1,142,842.75	1,142,842.75	County

Appendix III: Inter-Katulani level iv hospital Confirmation Letter

Name of : County Government of Kitui.

Name of : Katulani sub county hospital

Confirmation of amounts received by Katulani level iv hospital as at 30 th June 2025					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
rec/0001100741ki	9-Jul-24	500,000		500,000	RECEIVED
rec/00011103706	16-Aug-24	500,000		500,000	RECEIVED
rec/0001104412ki	3-Oct-24	500,000		500,000	RECEIVED
KE/NAIROBI/KE/NAI	16-Oct-24	500,000		500,000	RECEIVED
KE/NAIROBI/KE/NAI	5-Nov-24	500,000		500,000	RECEIVED
KE/NAIROBI/KE/NAI	27-Nov-24	895,000		895,000	RECEIVED
KE/NAIROBI/KE/NAI	31-Dec-24	500,000		500,000	RECEIVED
KE/NAIROBI/KE/NAI	31-Dec-24	500,000		500,000	RECEIVED
KE/NAIROBI/KE/NAI	31-Jan-25	500,000		500,000	RECEIVED
KE/NAIROBI/KE/NAI	5-Mar-25	500,000		500,000	RECEIVED
NBK25094CJG0JCBF	4-Apr-25	500,000		500,000	RECEIVED
Total				5,895,000	RECEIVED

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

Head of Accounts Department -Disbursing Katulani level iv hospital:

Name James Karoti Sign For He Date 28/6/25

Head of Accounts Department Beneficiary Katulani level iv hospital:

Name Winnie Mue Sign He Date 28/6/25

