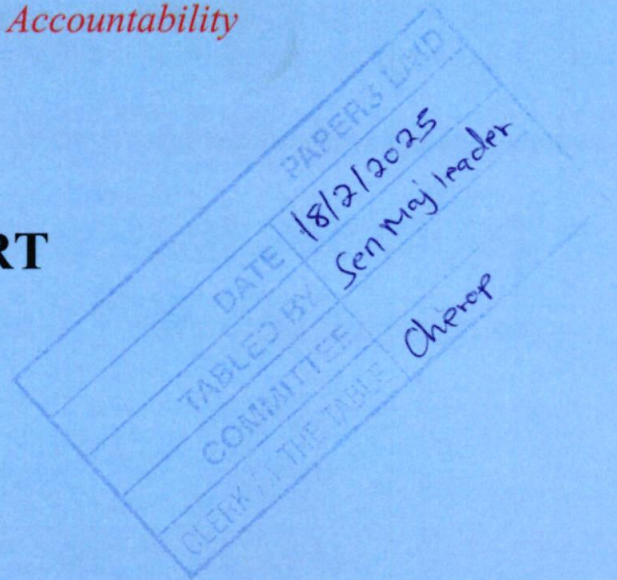


REPUBLIC OF KENYA



Enhancing Accountability

REPORT



OF

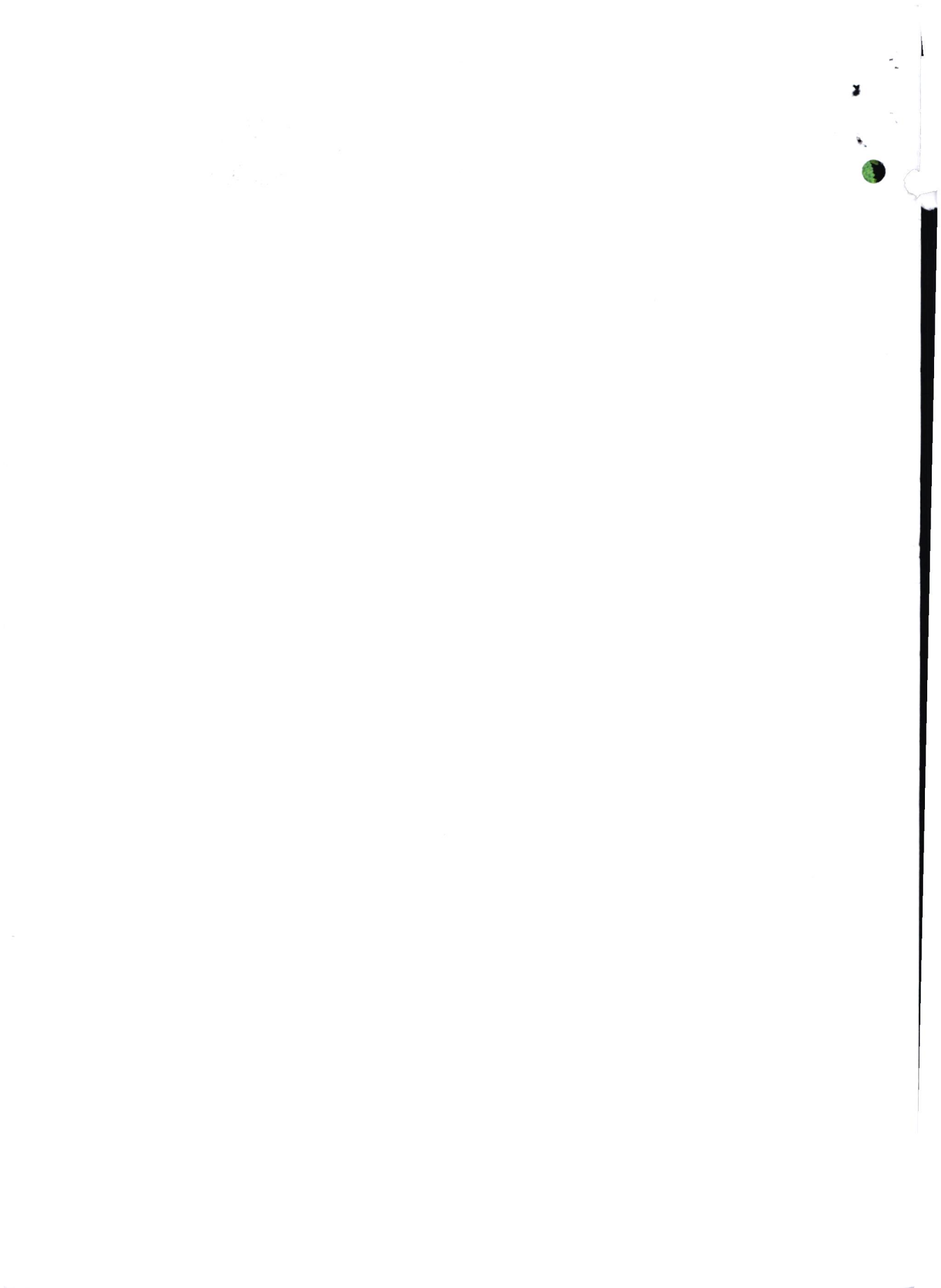
THE AUDITOR-GENERAL

ON

KARATU LEVEL 4 HOSPITAL

**FOR THE YEAR ENDED
30 JUNE, 2024**

COUNTY GOVERNMENT OF KIAMBU





OFFICE OF THE AUDITOR GENERAL
P. O. BOX 3054 - 00100, NAIROBI
REGISTRY

30 DEC 2024

RECEIVED



KARATU LEVEL 4 HOSPITAL (KIAMBU County Government)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2024

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

PFMA	Public Financial Management Act
MED SUP	Medical Superintendent
FIF	Facility Improvement Fund
HAO	Health Administration Officer
NSM	Nursing Services Manager
CHMT	County Health Management Team
AIE	Authority to Incur Expenditure
CEC	County Executive Committee
BOM	Board of Management
NHIF	National Hospital Insurance Fund
NEMIS	National Education Management Information System
CSR	Corporate Social Responsibility
IPSAS	International Public Sector Accounting Standards
PPE	Property Plant and Equipment
CPA	Certified Public Accountant
BBM	Bachelors of Business Management
BA	Bachelors of Arts

CCC	Comprehensive Care Centre
MCBH	Bachelor Of medicine And Bachelor of Surgery
OBGYN	Obstetrician Gynaecologist
MEDS	Missions for Essential Drugs and Supplies
UHC	Universal Health Care
PHO	Public Health Officer
BSC	Bachelor of Science
LVCT	Liverpool Voluntary Counselling & Testing
KQMH	Kenya Quality Model for Health
KRCHN	Kenya Registered Community Health Nurse
MLT	Medical Laboratory Technologist

2. Key Entity Information and Management

(a) Background information

Karatu Hospital is a level 4 hospital established under gazette notice Vol. CXVI No.103 dated 29th August 2014 and is domiciled in Kiambu County under the health Department. The hospital is governed by a Board of Management.

(b) Principal Activities

The principal activity/mission/ mandate of the hospital are to offer the highest attainable quality health care to our patients/clients with dignity and utmost professionalism within the shortest time possible. We endeavour to be a healthcare system/centre that is accessible and available for every Kenyan.

Vision

To provide an efficient, effective, and high-quality health care system that is accessible, equitable and affordable for every person in Kiambu County.

Mission

To provide health services that is equitable, accessible, and accountable to the people of Kiambu County through participatory Leadership.

Mandate of the Department

To provide health services, create an enabling environment, regulate, and set standards and policy for health service delivery.

Core Function

Policy Formulation and Implementation

Preventive and Promote Health Services

Curative and Rehabilitative Health Services

Standards and Regulations

Monitoring and Evaluation of provision of Health care services

(c) Key Management

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

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

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2024 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Medical Superintendent	Dr. Benson Mwaniki
2.	Head of Finance	Lucy Ng'ang'a
3.	Head of Administration	Godfrey Chege
4.	Head of Laboratory	Jacinta Nyoike
5.	Head of Pharmacy	Mercy Gikera
6.	Public Health Officer	Joseph Karanja
7.	Nurse in Charge	Mercy Wambui

(e) Fiduciary Oversight Arrangements

This is made up of the following committees:

Clinical Research and Standards Committee.

They are independent bodies mandated to review and approve all aspects of a clinical trial protocol before it commences. Their primary goal is to protect the rights, safety, and welfare of trial participants, ensuring that the potential benefits of the research outweigh any risks.

Audit committee

An audit committee is a subcommittee of a company's board members that oversees financial reporting, risk management, and compliance processes. Composed of independent directors with relevant expertise, the audit committee acts as a key safeguard to ensure transparency, integrity, and accountability in a company's financial operations. Here are some of its roles and responsibilities.

- Oversight of financial reporting
- Monitoring of accounting policies
- Oversight of external auditors
- Regulatory compliance

Risk Committee

A risk committee is an independent panel or team put together by the board of directors to assist in overseeing the organization's risk strategy and creating an effective risk management framework that guards against major losses.

Risk Committee Roles and Responsibilities

1. Risk Oversight- A risk committee's efforts should ultimately center on the group's fundamental purpose: providing an independent layer of risk oversight to the organization's actions. ...
2. Setting Risk Appetite and Strategy
3. Reviewing Risk Policies and Controls
4. Reporting and Communication
5. Compliance and Regulatory Adherence

County Assembly

The County Assembly roles are to represent citizens, exercise the legislative authority of the County Government and oversight the County Executive. It comprises elected and nominated members referred to as Members of the County Assembly (MCAs). The elected members represent and are elected by the citizens at the County Ward.

Parliamentary committees

A parliamentary committee is a group of members of parliament, appointed by one or both houses of parliament to undertake specific tasks. These committees investigate issues, proposed laws, and other matters in details, and have considerable powers to work on behalf of the parliament.

Their roles and responsibilities are;

- Gathering input from various sources.
- Discussing issues in depth.
- Allowing public participation in the legislative process.
- Helping parliamentarians consider bills, study issues, and review policies.
- Conducting inquiries and investigations.

Other oversight committees

There are no other committees in operation, other than those above.

Key Entity Information and Management (continued)

- (f) **Entity Headquarters**
P.O. Box 84-01030
Gatundu, next to Karatu Police Station and Ndarugu Primary School
- (g) **Entity Contacts**
Telephone:
(+254) 741744166
Email karatuhc@gmail.com
Kiambu.go.ke
- (h) **Entity Bankers**
Kenya Commercial Bank-A/C -1118019970-FIF- Gatundu Branch
A/C-1256632805-NHIF-Gatundu Branch

Family Bank-A/C -001000053771-Gatundu Branch
- (i) **Independent Auditors**

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




(j) Principal Legal Adviser

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




(k) County Attorney

P.O. Box. 2344-00900
Kiambu, Kenya




3. The Board of Management

Ref	Directors	Details
	 <p data-bbox="240 656 600 757">Dr. Francis Kinuthia Muriu Board Chairperson OBGYN</p>	<p data-bbox="836 371 1414 479">Chairman of the executive board. Appointed by the county minister of health. Senior private Gynaecologist.</p> <p data-bbox="836 483 1369 698">Duties Attend meetings Chairing the board meetings Approve yearly budget Follow up on the budget implementation Signing financial reports</p>
	 <p data-bbox="240 1030 564 1093">Mr Patrick K Githuthwa Board Vice Chair</p>	<p data-bbox="836 775 1449 846">Board vice chairman appointed by the minister of health. Farmer and retired civil servant.</p> <p data-bbox="836 851 1372 994">Duties Attend meetings Approve yearly budget Follow up on the budget implementation</p>
	 <p data-bbox="240 1355 707 1491">Dr. Benson Mwaniki MBCHB holder Medical Superintendent and Board Secretary</p>	<p data-bbox="836 1088 1445 1232">Medical superintendent of the hospital and a county employee. Appointed by the chief officer of health Kiambu County. Secretary to the board.</p> <p data-bbox="836 1236 1378 1456">Duties Attend meetings Taking minutes during board meetings Approve yearly budget Follow up on the budget implementation Signing of financial reports</p>





KARATU LEVEL 4 Hospital (KIAMBU County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2024

	 <p>Board Member Mrs. Margaret Njeri Kimata</p>	<p>Board member and community leader. Appointed by the minister of health. Currently a farmer</p> <p>Duties Attend meetings Approve yearly budget Follow up on the budget implementation</p>
	 <p>Board Member Mrs. Grace Wanjiru</p>	<p>Board member and community leader. Appointed by the minister of health.</p> <p>Duties Attend meetings Approve yearly budget Follow up on the budget implementation</p>
	 <p>Elizabeth Ushu Board Member Form 3</p>	<p>Board member and community leader. Appointed by the minister of health.</p> <p>Duties Attend meetings Approve yearly budget Follow up on the budget implementation</p>

4. Key Management Team

Ref	Management	Details
1.	 Dr. Benson Mwaniki MBCHB Medical Superintendent and Board Secretary	Medical superintendent of the hospital and chair of the management team. MBCHB holder. <u>Duties include:</u> <ul style="list-style-type: none"> ✓ Attending patients for treatment. ✓ Overall supervision at the hospital. ✓ Chairing HMT meetings held at the hospital.
2.	 Godfrey H. Chege Hospital Administrator BA.	Hospital administrative officer (HAO) and member hospital management team. <u>Duties include:</u> <ul style="list-style-type: none"> ✓ Developing work and leave schedules for staff. ✓ Ensuring effective running of daily facility activities. ✓ Keeping detailed records of medical and legal documents. ✓ Acts as the secretary during the HMT meetings by taking minutes.
3.	 Lucy W. Ng'ang'a Accountant In-charge CPA,BBM-Finance & Banking	Certified Public Accountant (CPA-K) and member of hospital management team. <u>Duties include:</u> <ul style="list-style-type: none"> ✓ Overseeing revenue collection ✓ Supervising revenue staff ✓ Budgeting and bank reconciliations ✓ Prepare suppliers payment and casuals wages ✓ Control expenditure

KARATU LEVEL 4 Hospital (KIAMBU County Government)
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4.	 <p>Joseph N .Karanja Public Health Officer BSC.</p>	<p>Public health officer and member of hospital management team.</p> <p><u>Duties include:</u></p> <ul style="list-style-type: none"> ✓ Hold seminars to educate the public on various health matters. ✓ Overseeing the public health department operations. ✓ Supervising the general cleanliness of the hospital and its surroundings.
5.	 <p>Mercy Wambui Gikera Pharmaceutical Technologist</p>	<p>Pharmaceutical technologist and member hospital of management team.</p> <p><u>Duties include:</u></p> <ul style="list-style-type: none"> ✓ Issuing medicine to patients ✓ Managing all pharmacy operations ✓ Ordering and Receiving medical supplies ✓ Doing stock takes
6.	 <p>Jacinta Nyoike Laboratory Technician MLT</p>	<p>Laboratory technician and a Member of hospital management team.</p> <p><u>Duties include:</u></p> <ul style="list-style-type: none"> ✓ Carrying out lab tests for patients ✓ Managing the lab ✓ Ordering and Receiving lab supplies. ✓ Doing stock take when required.
7.	 <p>Mercy Wambui Ndung'u Registered Nurse-KRCHN Nurse Incharge</p>	<p>Nurse in charge and hospital management team member.</p> <p><u>Duties include:</u></p> <ul style="list-style-type: none"> ✓ Preparing duty rotas for all nursing staff ✓ Preparing end month nursing reports ✓ Supervising the nursing staff ✓ Ordering, Receiving and issuing non-pharms.

5. Chairman's Statement

Karatu level 4 hospital has continued to grow despite the numerous challenges that have befallen the hospital in the past. Over the last financial year 2023/2024 the hospital board of management has had 2 board sittings all geared at brainstorming and making resolutions that align to the hospitals core mandate in enabling it meet its health obligations to the populace and growth agenda.

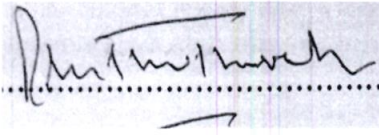
These machines have greatly improved the level of care offered in the hospital to a great satisfaction of the hospitals catchment population. It is expected that they will also improve the hospital's revenue to a great deal, money that the board will continue to oversee its use in further improving the hospital.

Above said, the hospital still faces numerous challenges that need to be addressed going forward.

Human resource is a critical element of operationalization of any Level 4 hospital and it is dire to known that we have only 2 doctors, 2 clinical officer and a critical shortage of nurses. This has continued to hamper 24 hourly hospital coverage and inpatient admissions. The board has aggressively engaged the county government in a bid to have this resolved through the chief officer health office. This challenge is on the background of inadequate hospital financing largely due to low hospital revenues despite the improved collections. The board hopes to continue spurring more efficient collections in the coming year and has put in place mechanisms to improve the hospitals public outlook spearheaded by individual board members in a collective board effort.

Karatu level 4 hospital has a bright future and together we believe as a board of management we will have our part in uplifting the hospital to improve even further the services enjoyed by our population.

Thank you



.....

DR. FRANCIS K.MURIU
Chairman to the Board

6. Report of The Medical Superintendent

Karatu Level 4 hospital has made progressive growth since its gazettelement as a level 4 facility in 2014. However, its growth to meet the standards of a level 4 facility based on KQMH standards has been slower than expected. Commitment and good will from the county leadership to invest in all health systems within the facility is needed in order to realise its full potential.

The facility was able to improve its revenue collection from Ksh 645,775 between July -December 2023 to 723,652 between January and June 2024. This was a 12% increase during the second half of the financial year despite prolonged health services interruption in the months of April, May and June 2024 occasioned by health care workers' industrial unrest. The facility shall tap into the newly introduced Kiambu Afya insurance scheme and social health insurance to improve health services and revenue standing.

Fundamentally, there is need to renovate the current infrastructure and carry out expansion to accommodate services commensurate with a level 4 facility, namely: -

- Provision of surgical services by establishing major and minor operating rooms
- Establishment of medical imaging department (Ultrasound and X-ray services)
- Provision of rehabilitative services (Physiotherapy, occupational therapy, ortho-trauma interventions)
- Establishment of fully functional medical, surgical, paediatric and obstetric inpatient health services
- Establishment of a dental, ENT, eye units
- Establishment of EMR
- Establishment of catering, laundry units and construction of a morgue
- Deployment missing key personnel (Health administrator, procurement, health records, human resource/personnel manager)
- Procurement of an ambulance dedicated to the facility to ease referral services

The hospital still operates with a critical shortage of staff. In its inventory the hospital has 2 medical officers, 2 clinical officer, 6 nurses, 1 pharmaceutical technologist, 1 laboratory technologist, 1 public health officers, 1 roving CCC clinical officer, 1 accountant, 2 data clerks, 4 staff in the CCC department, 2 support staff and 4 casuals totalling to 25 staff. Engagements are still ongoing with the county government to address the human resource gaps.

Karatu level 4 hospital management team in collaboration with the management board continue to work together to ensure progressive upgrade of the facility is sustained in order to meet KQMH standards. This is through engagement with the county leadership and other stakeholders.

The management shall endeavour to continually improve the scope and quality of health services to the community while adhering to existing laws, policies and guidelines that govern health care systems.



.....
DR. BENSON MWANIKI

Secretary to the Board

7. Statement of Performance Against Predetermined Objectives

Karatu level 4 Hospital has strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2023-2024. These strategic pillars/ themes/ issues are as follows;

Pillar /theme/issue 1: Curative and Preventive Health

Pillar/theme/issue 2: General Administration

Karatu level 4 hospital develops its annual work plans based on the above pillars/Themes/Issues. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The hospital achieved its performance targets set for the FY 2023/2024 period for its strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
1: Curative and Preventive Services	To provide effective ,efficient ,curative and preventive services .To conduct long term FP outreaches	MOH Registers Out Patient Files	Primary facility of general outpatient services. Specialized outpatient services. Reproductive Maternal, Neonatal Child health services and child immunization.	Increase of patients being attended. Improved health care.
2: General Administration	To manage and coordinate	Taking Meeting minutes.	On job trainings and support supervisions.	Holding effective board meetings to

KARATU LEVEL 4 Hospital (KIAMBU County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2024

Planning Management support and coordination.	health services. To conduct health sector planning, budgeting and monitoring and evaluation.	Procurement of required items for smooth service delivery.		evaluate progress.
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8. Corporate Governance Statement

The board members were appointed by the CEC health in accordance to Kiambu county Health services Act No 2 of 2019, vide gazette notice No. 3616

The board roles include:

- a) Provide oversight over general administration of the hospital
- b) Promote the development of the hospital
- c) Recommend to the Executive Member plans and programs for implementing the county health strategies in the hospital
- d) Recommend to the Executive Member budget estimates
- e) Establishing a hospital- community participation and feedback platform
- f) Assessing the delivery of services at the hospital and advice the Executive Member
- g) Monitoring the hospital performance against the set targets and advice the Executive Member.
- h) Carrying out any other function that may be assigned by the Executive Member

In the financial year 2023/2024, changes in the management of the facility were made which included transfer of the medical superintendent to Juja Sub County. During this change over, the incoming facility in-charge was on annual leave which made seamless handing over process difficult. The release of the incoming facility manager was done on 22nd January 2024. Furthermore, the longstanding healthcare workers strike during the financial year interrupted convening of scheduled board meeting. The management board had its second half year meeting on 15th May 2024. During this meeting, it was agreed that the hospital administrator, accountant and the nursing manager be invited from time to time during board meetings since they play pivotal roles in the day to day running of the facility. As a means to enhancing hospital revenue, the board also delved into the utilization of hospital land to generate revenue. As a result, the local community that tills the land was to be informed about boards' resolution so that they can clear their crops by the end of June 2024. Reactivation of the subcommittees was also discussed and it was resolved that subcommittees should meet at convenient times to allow members to participate. These are: -

1. The Revenue/FIF sub-committee
2. The Human resource sub-committee
3. The Quality assurance sub-committee

These committees have at least 3 members and sit on their own schedules. Of critical importance is the board's role in providing financial leadership and oversight to the hospital management with advice on resource allocation, monitoring of resource use and self-auditing of the above processes. On 16th may 2024, an audit of the hospital was carried out with major highlights being need to invest in the hospital to meet level 4 standard as per the KQMH checklist, prudent management of assets including valuation and disposal of obsolete assets. The audit also highlighted that the hospital did not have a risk management policy which has since been drafted.

The board of management of Karatu level 4 hospital has routinely set targets and seeks to review the implementation progress of the targets at its subsequent meetings, this has helped it realize its transformation objectives for the hospital notably the equipping of the hospital's laboratory, to modern level 4 standards has been achieved under the board's leadership. There exists a harmonious cordial working relationship among all the board members which has greatly helped the board realize its mandate.

It is worth-noting that, subsequent meetings by the board could not take place since the term of service for the chairman, vice chairman and two other members lapsed on 30th April 2024. An extension of the term of service or reconstitution of the management board has not yet been done by the appointing authority. This matter has been brought to the attention of the CECM health.

Of critical importance is the board's role in providing financial leadership and oversight to the hospital management with advice on resource allocation, monitoring of resource use and self-auditing of the above processes. To this effect the board must approve the annual hospital budget in its sittings in June and advice accordingly. This has always been the case with our board at Karatu level 4 hospital. Members may be removed from the board of management in below scenarios:

- a. Under the advice of the Minister of Health Kiambu County
- b. If a board member fails to attend three consecutive board meetings

- c. If a board member is found to have engaged in criminal activity by a competent court of law
- d. If a board member is imprisoned for more than 6 months
- e. If there exists conflict of interest, the board member may declare the interest and asked to resign or advised accordingly.
- f. If a board member voluntarily resigns in a letter addressed to the board chairman.

Regards,



DR. BENSON MWANIKI
Med Sup.

9. Management Discussion and Analysis

Clinical/operational performance

Total Bed capacity of the hospital is 24, distributed as follows.

- ✓ 12 beds in the maternity ward, 10 are operational and 2 are faulty.
- ✓ 6 beds in the male wards,
- ✓ 6 beds in the female ward.

The hospital does not offer inpatient services at the moment except for maternity.

Outpatient attendance was an overall of 11,022 patients having gone down from 12,471 in 2022/2023.

Special Clinics (NCD) overall attendance was 359 patients having gone up from 125 in 22/23.

Accidents and emergencies were zero

Average Length of stay for in patients is 3 days-for maternity

Bed occupancy rate is 1

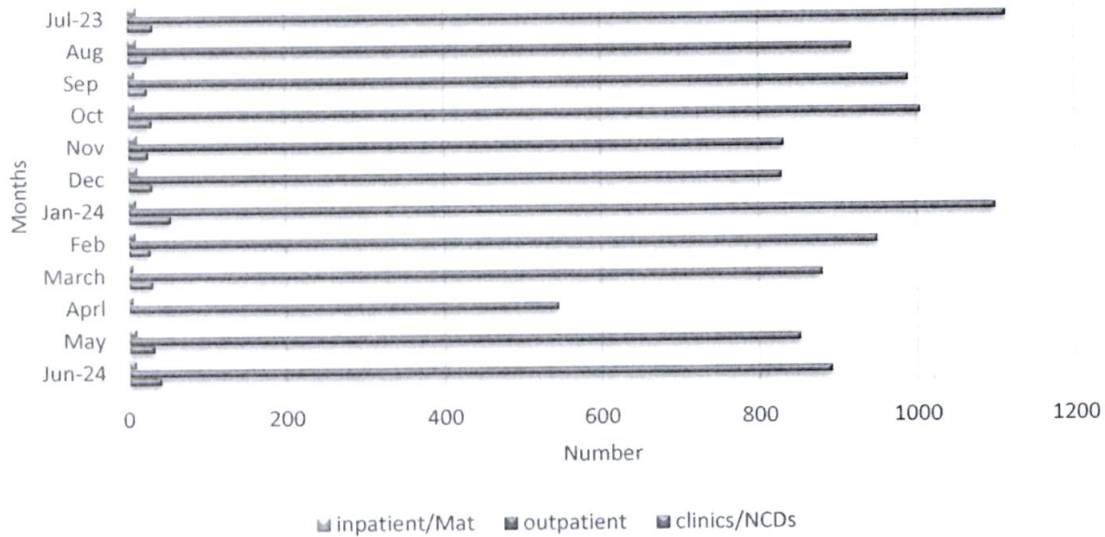
Mortality rate was zero

Surgical theatre utilisation- No Theatre

Sponsorship and Partnerships- LVCT-Liverpool Voluntary Counselling & Testing.

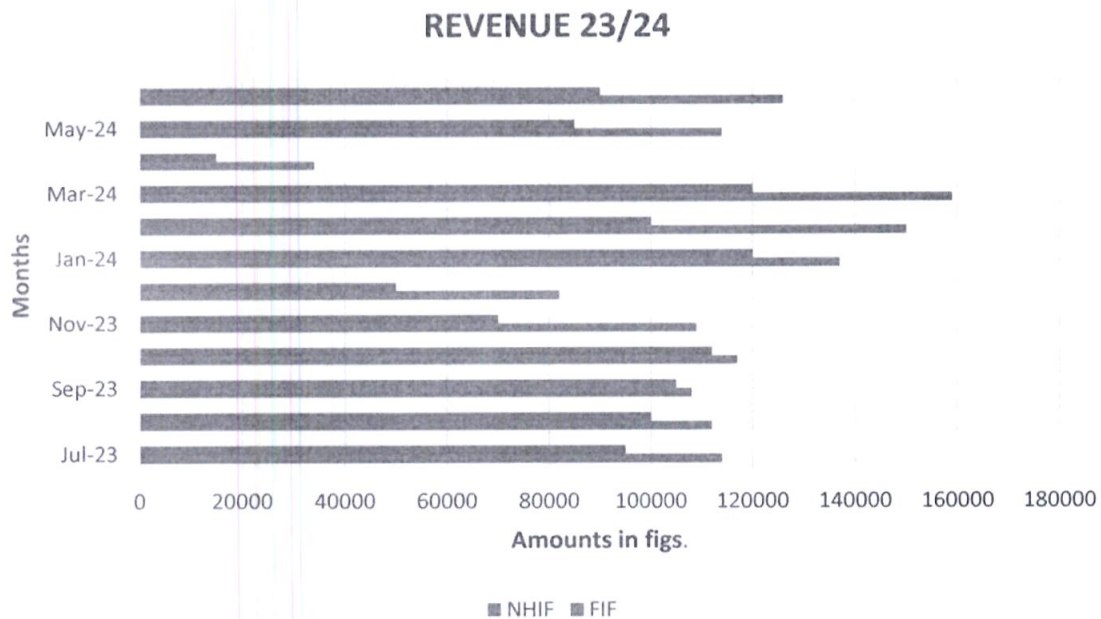
Major challenges facing the hospital is lack of resources to perform both operational and financial activities.

Patient's Attendance 23/24



Financial performance that includes

- Revenue sources,
- Utilisation of funds etc.
- The facility relies on 2 major sources of revenue i.e.
 FIF- Patient payments via MPESA and
 NHIF through the Linda Mama programme (ANC & Deliveries) and Edu Afya .Edu Afya services were however terminated in Dec 2023.
 The average revenue from OPD was Ksh.114, 000 while that from NHIF was an average of Ksh12, 000 monthly which was a great improvement from last financial year.
- Funds were utilized through payment of salaries, purchase of medicine, payment of utilities such as electricity and water and payment of suppliers for providing operation and administrative supplies.



.....

DR. BENSON MWANIKI
Secretary to the Board

10. Environmental And Sustainability Reporting

Karatu hospital exists to transform lives. It's what guides us to deliver our strategy, putting the client/Citizen first, delivering health services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

i) Sustainability strategy and profile.

The top management in Karatu level 4 hospital has ensured there is a culture of fair and responsible competition through offering opportunities to all groups in the society such as, youth, women and persons with disability without political Influence guided by set procurement laws, procedures and regulation.

ii) Environmental performance

The hospital has ensured that no environmental hazards are within and outside the hospital. All waste management services are well catered for with a conducive sewage system.

iii) Employee welfare

Employees are deployed from the County Government through the Public Services within their respective departments.

iv) Market place practices.

The organization should outline its efforts to:

a) Responsible competition practice.

All participants are given an equal chance with regards to anti-corruption practices, responsible political involvement, fair competition, and respect for competitors.

b) Responsible Supply chain and supplier relations

The hospital has put in place guidelines on good business practices with its business partners by offering equal competitive business opportunities. The hospital also treats its suppliers with utmost ethics by ensuring equal distribution of available funds, honoring contracts and frameworks.

c) Product stewardship

The hospital has put in pace the following efforts to safeguard its consumer's rights and interests:

- a. Set laws and acts that guides in safeguarding its consumers.
- b. The hospital advocates for compliance.
- c. Right to goods and services equally.
- d. Rights to information necessary to them.

11. Report of The Board of Management

The Board members submit their report together with the Financial Statements for the year ended June 30th, 2024, which show the state of the hospital's affairs.

Principal activities

The principal activities of the entity is to provide good health services to the patients visiting Karatu Hospital.

Results

The results of the entity for the year ended June 30th 2024 are set out on pages 1 to 7.

Board of Management

The members of the Board who served during the year are shown on page vi and vii. During the year, the secretary

Auditors

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

By Order of the Board

.....
Name: DR. BENSON MWANIKI

Secretary to the Board

12. Statement of Board of Management’s Responsibilities

Section 164 of the Public Finance Management Act, 2012 and the Kiambu County Health Act requires the Board of Management to prepare financial statements in respect of that hospital which give a true and fair view of the state of affairs of the hospital at the end of the financial year/period and the operating results of the hospital for the year 2023/2024. The Board of Management is also required to ensure that Karatu Level 4 keeps proper accounting records which disclose with reasonable accuracy the financial position of the hospital. The council members are also responsible for safeguarding the assets of the hospital.

The Board of Management is responsible for the preparation and presentation of the hospitals financial statements, which give a true and fair view of the state of affairs of the hospital for and as at the end of the financial year ended on June 30, 2024. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period,

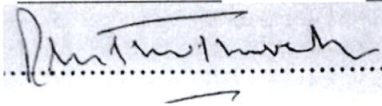
(ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the 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 hospitals 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. The Board members are of the opinion that the hospitals financial statements give a true and fair view of the state of hospital's transactions during the financial year ended June 30, 2024, and of the hospital's financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the hospital which have been relied upon in the preparation of the hospital's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Hospital’s financial statements were approved by the Board on
26/12/2024 and signed on its behalf by:

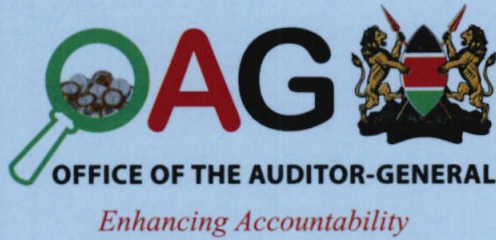


.....
Name:
Chairperson
Board of Management

.....
Name:
Accounting Officer

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KARATU LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2024 – COUNTY GOVERNMENT OF KIAMBU

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 Karatu Level 4 Hospital – County Government of Kiambu set out on pages 1 to 57, which comprise of the statement of financial position as at 30 June, 2024 and the statement of financial performance,

Report of the Auditor-General on Karatu Level 4 Hospital for the year ended 30 June, 2024 – County Government of Kiambu

statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Karatu Level 4 Hospital - County Government of Kiambu as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, the County Governments Act, 2012 and the Health Act, 2017.

Basis for Qualified Opinion

1. Inconsistencies and Inaccuracies in the Financial Statements

Review of the financial statements submitted for audit revealed inconsistencies as detailed below:

- i. Management discussion and analysis did not include areas highlighted by the template especially on corporate social responsibility /community engagements where it is expected to give details of CSR activities carried out in the year and the impact to the society.
- ii. Statement of financial performance and statement of financial position did not include Head of Finance's ICPAK number.
- iii. The statement of financial performance reflects total expenditure of Kshs.2,482,940 but the statement of comparison of budget and actual amounts for the year reflects nil total actual expenditure on comparable basis. Further, there are no budget notes nor reconciliation provided to explain the variance between amounts of actual on comparable basis which do not tie to the statement of financial performance due to differences in accounting basis.
- iv. The statement of financial performance reflects medical/clinical costs, board of management expenses and general expenses of Kshs.1,190,068, Kshs.78,000 and Kshs.286,769 as disclosed in Notes 15, 17 and 21 respectively. However, the statement of comparison of budget and actual amounts reflects Kshs.1,302,397 and nil for the other two items resulting to variances of Kshs.859,932, Kshs.78,000 and Kshs.286,769 respectively that have not been explained or reconciled. In addition, the comparative total expenses amount of Kshs.1,489,697 differs from the 2022/2023 financial statements of Kshs.1,470,197 resulting to a variance of Kshs.19,500. The comparative net surplus balance of Kshs.927,403 also differs from the 2022/2023 financial statements of Kshs.946,903 resulting to a variance of Kshs.19,500.

- v. The statement of changes in net assets reflects comparative surplus for the year amount of Kshs.927,403 that differs from the 2022/2023 financial statements amount of Kshs.946,903 resulting to variance of Kshs.19,500.
- vi. The notes numbering from the statement of financial performance does not mirror the numbering in the Notes to the financial statements from Note 6 to Note 26 with several numbers not disclosed in the statement of financial performance.
- vii. The statement of cash flows reflects cash and cash equivalents balance as at 30 June, 2024 of Kshs.246,233 which differs from the amount shown in the statement of financial position in Note 27 of Kshs.263,424 resulting to a variance of Kshs.17,191 that was not explained or reconciled.
- viii. The report of Management Discussion and Analysis and the statement of Board of Management Responsibilities are not signed by the Accounting Officer.

In the circumstances, accuracy and completeness of the financial statements could not be confirmed and lack of relevant information may affect users' reliance on the financial statements for decision making.

2. Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.263,424 as disclosed in Note 27 to the financial statements. However, the balance includes an overdrawn cashbook balance of Kshs.6,257 relating to KCB - Facility Improvement Fund (FIF) that has been netted off. The balance ought to be disclosed as a current liability. Further, the cash and cash equivalents balance exclude an amount of Kshs.60 relating to Cooperative Bank Account but whose cash book and bank reconciliation was not provided for audit.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.263,424 could not be confirmed.

3. Receivables from Exchange Transactions

The statement of financial position reflects a balance of Kshs.552,033 in respect of receivables from exchange transactions as disclosed in Note 28 to the financial statements. However, audit of medical services receivables revealed that the National Hospital Insurance Fund (NHIF) receivable were cumulative batches of bills for outpatient and inpatient services produced from the NHIF system (Health Insurance Claim System - HICs) and included in the ledger analysis but revealed that although the amounts were less than 1 year as per aged analysis, the balance had not been settled by NHIF as at 30 June, 2024. Failure to settle the amounts by NHIF is a violation of the contract between the Hospital and NHIF which requires clean claims to be paid within ninety (90) days of receipt of the claim from the health care provider.

In the circumstances, the Hospital may be unable to continue to effectively render medical services to NHIF covered patients.

4. Undisclosed Property, Plant and Equipment

The statement of financial position reflects nil balance in respect to property, plant and equipment. However, Management did not disclose property, plant and equipment and inventory balances in the financial statements despite owning various assets which include land and buildings, specialized and non-specialized medical equipment, furniture and fittings, motor vehicle (ambulance) and ICT equipment. This is contrary to the provisions of IPSAS 17 that prescribes the recognition of property, plant and equipment so that users of the financial statements can discern information about an entity's investment in its property, plant, and equipment and the changes in such investments.

Further, excluded is the value of land on which the facility has set up own buildings. The parcel of land is shared with other Government Departments who have also set up own buildings and structures. However, the facility had not initiated the process of valuation and titling of the specific land occupied.

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

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Karatu Level 4 Hospital – County Government of Kiambu Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total revenue budget and actual on Comparable basis of Kshs.5,824,245 and Kshs.2,717,467 respectively resulting to an under-funding of Kshs.3,106,778 or 53 % of the budget. However, the Hospital spent an amount of Kshs.2,482,940 against actual receipts of Kshs.2,717,467 resulting to an under-utilization of Kshs.234,527 or 9% of the actual receipts.

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

My opinion is not modified in respect of this matter.

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 matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management had not resolved the issues as at 30 June, 2024.

Other Information

The Board of Management are responsible for the other information set out on pages iv to xxviii which comprise of Key Entity 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 Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Karatu Level 4 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 and 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 THE 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. Un-Approved Budget

Review of the documents provided for audit revealed that the Hospital did not prepare the budget in accordance with recommended format. Further, the budget provided for audit

was not approved contrary to Section 39(b) of the Kiambu County Health Services Act, 2019 which states that the Health Fund Committee shall recommend the respective institutions' budget to the Executive Member and Section 34 that requires the administrator of the Fund to submit the Hospital's budget to the Executive Member for approval.

In the circumstance, Management was in breach of the law and the budgetary controls were not effective.

2. Failure to Prepare a Procurement Plan

The Hospital Management did not prepare a procurement plan during the year under review yet procured several items including medical/clinical item, computers printing and stationery, fuel and lubricants among other items. This was contrary to Regulation 114(2) of the Public Finance Management (County Governments) Regulations, 2015 which states that every year a procurement plan shall be prepared by Accounting Officers to form the basis for procurement activities undertaken by Government entities in the fiscal year.

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

3. Failure to Meet Level 4 Hospital Requirements and Universal Health Coverage

According to the self-assessment questionnaire on Kenya Quality Model for Health's Checklist for Level 4 Hospitals, the following short-comings were noted:

Criteria	Minimum Required	Actual	Variance
Staffing Requirement			
Total	101	25	76
Medical Officers	16	2	14
Clinical Officers		2	
Anesthesiologists	2	-	2
General Surgeons	2	-	2
Gynecologists	2	-	2
Pediatricians'	2	-	2
Radiologists	2	-	2
Registered Community Health Nurses	75	6	69
Services Offered			
Surgical Services		No	
Pediatric Services		No	
Gynecology Services		No	
Radiology Services		No	
Renal Services		No	

Tuberculosis Services		Yes	
Bed Capacity	150	24	126
Equipment & Machines			
Incubators (Newborn)	5	-	5
Cots	5	-	5
Resuscitaire in Theatre	1	-	1
Resuscitaire in Labour Ward	2	1	1
Functional ICU Beds	6	-	6
HDU Beds	6	-	6
Renal Unit with Dialysis Machines	5	-	5
Functional Operating Theaters Maternity and General	2	-	2
Ambulances		None	
Governance by Board of Management			
Valid Board Present		No	
Regular Meeting		No	
Qualified Members		Yes	Expired term
Policy Documents e.g Risk Management Policy		Yes	
Audit Committee & Internal Audit		No	
Asset Management			
Land Size	5 Acres	1.913 Ha	
Fixed Assets Register		Yes	
Ownership Documents		None	
Equipment in Good Service		No	
Store Management			
Expired Drugs		Yes	
Adequate Storage Space		No	
FIFO Issuance of Drugs		No	

These deficiencies contravene the First Schedule of 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.

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

REPORT ON 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. Management of Pharmaceuticals and Non-Pharmaceuticals

During the period under review, the Hospital procured, took on charge and recorded on the stock control cards pharmaceuticals, however, perusal of the drug stock control cards revealed drugs with very short expiry periods and slow moving drugs owing to reduced patient numbers attributable to scaled down medical services. This situation led to expiry and obsolescence of some drugs amounting to Kshs.49,679 as tabulated below:

Description	Unit	Expiry Dates	Closing Stock	Prices (Kshs)	Totals (Kshs)
Albendazole 400mg	Tablet	Feb-25	4,700	5	24,440
Amoxicillin Tablet 250mg	ODT	May-25	3,900	3	11,427
Loratidine 10mg	Tablet	Mar-25	400	1	400
Dextrose Injection 50%, 50ml	Bottle	May-25	18	91	1,638
Dexamethasone Inj 4mg/ml	Vial	Apr-25	10	15	150
Tranexamic Acid Inj 500mg(100mg/ml)	Ampoule	May-25	10	75	754
Salbutamol/Beclomethasone 200 doses	Can	May-25	5	338	1,690
Gluteraldehyde Solution (Generic) 2.4%, 5 Litres	5ljar		1	1,050	1,050

Methylated Spirit >90%Ethanol	5ljar		6		1,105	6,630
Non-Hormonal IUCD	Sets	Mar-25	15			-
Paracetamol 125mg	Suppositories	Suppository	Apr-25	150	10	1,500
					Total	49,679

In the circumstances, the procurement of short expiry period drugs leads to losses and affects service delivery

2. Missing Assets/Items

Review of correspondences and inventory documents provided for audit revealed that 50 items/assets of undetermined value were missing from the Hospital. However, no satisfactory explanation was provided on why the assets were missing and no reports from the relevant Government body carrying out investigations were provided to confirm recovery of the assets despite several reminders by the current Hospital Management to follow up on the reported loss.

In the circumstances, Management was in breach of the law and did not disclose the value of the loss in the financial statements

3. Non-Disposal of Unserviceable Assets

The statement of financial position reflects nil balance with respect to the net book value for property, plant and equipment and as disclosed in Note 31 to the financial statements. Physical verification at the facility in the Month of December, 2024 revealed numerous assets, which were either grounded, unserviceable and abandoned. Although the Hospital Management has initiated the process of identification of disposable items by writing to the Director of Administration on 13 May, 2024 to approve a disposal plan for these assets, no response and tangible action had been taken to comply and approve the process. In addition, no plausible explanation was provided on why the assets had not been disposed off contrary to Section 53(4) of the Public Procurement and Asset Disposal Act, 2015

In the circumstances, the assets may continue to degrade and deteriorate further if no action is taken.

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

Responsibilities of the Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual

Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Hospital's ability to continue 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 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.

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


Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the INTOSAI Framework of Professional Pronouncements (IFPP). The Framework requires 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 IFPP 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

31 December, 2024

14. Statement of Financial Performance for The Year Ended 30th June 2024

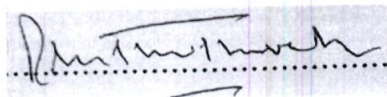
Description	Notes	Fin	Fin yr.22/23
		yr.23/24	Kshs
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	6b	-	-
In- kind contributions from the County Government	7	591,925	-
Grants from donors and development partners		-	-
Transfers from other Government entities		-	-
Public contributions and donations		-	-
		591,925	-
Revenue from exchange transactions			
Rendering of services- Medical Service Income	11	2,717,467	2,417,100
Revenue from rent of facilities	12	-	-
Finance /Interest Income	13	-	-
Other income (<i>specify</i>)	14	-	-
Revenue from exchange transactions		2,717,467	2,417,100
Total revenue		3,309,392	2,417,100
Expenses			
Medical/Clinical costs	15	1,190,068	272,775
Employee costs	16	928,103	640,800
Board of Management Expenses	17	78,000	58,500
Depreciation and amortization expense	18	0	-
Repairs and maintenance	19	0	52,000
Grants and subsidies	20	0	-
General expenses	21	286,769	465,622
Finance costs		-	-
Total expenses		2,482,940	1,489,697
Other gains/(losses)			

KARATU LEVEL 4 Hospital (KIAMBU County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2024

Gain on disposal of non-Current assets	-	-
Unrealized gain on fair value of investments	-	-
Medical services contracts Gains/Losses	-	-
Impairment loss	-	-
Gain on foreign exchange transactions	-	-
Total other gains/(losses)	-	-
Net Surplus for the year	826,452	927,403
<i>Attributable to:</i>		
Surplus/(deficit) attributable to minority interest	-	-
Surplus attributable to owners of the controlling entity	826,452	927,403
	826,452	927,403

(The notes set out on pages 10 to 53 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on
26/12/2024 and signed on its behalf by:



.....
Chairman
Board of Management



.....
Head of Finance
ICPAK No:



.....
Medical Superintendent

15. Statement of Financial Position As At 30th June 2024

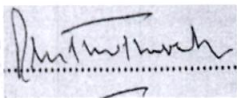
Description	Notes	2023/24	*22/23
		Kshs	Kshs
Assets			
<u>Current assets</u>			
Cash and cash equivalents	27	263,424	11,706
Receivables from exchange transactions	28	552,033	700,233
Receivables from non-exchange transactions	29		
Inventories	30	1,568,148	2,927,879
Total Current Assets		2,383,605	3,639,818
<u>Non-current assets</u>			
Property, plant, and equipment	31	-	-
Intangible assets	32	-	-
Investment property	33	-	-
Total Non-current Assets		-	-
Total assets		2,383,605	3,639,818
Liabilities			
<u>Current liabilities</u>			
Trade and other payables	34	878,355	177,938
Refundable deposits from customers/Patients		-	-
Provisions		-	-
Finance lease obligation		-	-
Current portion of deferred income		-	-
Current portion of borrowings		-	-
Total Current Liabilities		878,355	177,938
<u>Non-current liabilities</u>			
Provisions		-	-
Non-Current Finance lease obligation		-	-
Non-Current portion of deferred income		-	-
Non - Current portion of borrowings		-	-
Service concession liability		-	-
Total Non-current liabilities		-	-
Total Liabilities		878,355	177,938

KARATU LEVEL 4 Hospital (KIAMBU County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2024

Net assets			
Revaluation reserve		-	-
Accumulated surplus/Deficit		1,753,855	2,437,894
Capital Fund		-	-
Total Net Assets		1,753,855	2,437,894
Total Net Assets and Liabilities		2,632,210	2,615,832

(The notes set out on pages 10 to 53 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on
26/12/2024 and signed on its behalf by:



.....
Chairman
Board of Management



.....
Head of Finance
ICPAK No:



.....
Medical Superintendent

16. Statement of Changes in Net Asset for The Year Ended 30th June 2024

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2022 (previous year)	-	-	-	
Revaluation gain	-		-	
Surplus/(deficit) for the year	-	927,403	-	
Capital/Development grants	-		-	
As at June 30, 2023 (previous year)	-	927,403	-	927,403
At July 1, 2023 (current year)	-	927,403	-	
Revaluation gain	-	-	-	
Surplus/(deficit) for the year	-	826,452	-	826,452
Capital/Development grants	-	-	-	
At June 30, 2024 (current year)	-	1,753,855	-	1,753,855

17. Statement of Cash Flows for The Year Ended 30th June 2024

Description		2023/24	2022/23
	Notes	Kshs	Kshs
<u>Cash flows from operating activities</u>			
Receipts			
Transfers from the County Government	6	-	-
Grants from donors and development partners		-	-
Transfers from other Government entities		-	-
Public contributions and donations		-	-
Rendering of services- Medical Service Income	11	2,717,467	2,417,100
Revenue from rent of facilities		-	-
Finance / interest income		-	-
Other receipts		-	0
Total Receipts		2,717,467	2,417,100
Payments			
Medical/Clinical costs	15	1,190,068	272,775
Employee costs	16	928,103	640,800
Board of Management Expenses	17	78,000	39,000
Repairs and maintenance	18	0	52,000
Grants and subsidies	20	0	0
General expenses	21	286,769	465,622
Finance costs			
Refunds paid out			
Total Payments		2,482,940	1,470,197
Net cash flows from operating activities	42	234,527	946,903
<u>Cash flows from investing activities</u>			
Purchase of property, plant, equipment, & intangible assets		0	0
Proceeds from the sale of property, plant, and equipment		0	0
Acquisition of investments		0	0
Net cash flows used in investing activities		234,527	946,903
<u>Cash flows from financing activities</u>			
Proceeds from borrowings		0	0

KARATU LEVEL 4 Hospital (KIAMBU County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2024

Repayment of borrowings		0	0
Capital grants received		0	0
Net cash flows used in financing activities		0	0
Net increase/(decrease) in cash and cash equivalents		234,527	946,903
Cash and cash equivalents as at 1st July 2023	27	11,706	413,770
Cash and cash equivalents as at 30th June 2024	27	246,233	1,360,673

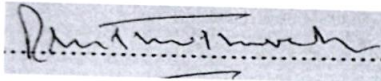
18. Statement of Comparison of Budget and Actual Amounts for Year Ended 30th June 2024

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Transfers from the County Government	0	0	0	0	0	0
Grants from donors and development partners	0	0	0	0	0	0
Transfers from other Government entities	0	0	0	0	0	0
Public contributions and donations	0	0	0	0	0	0
Rendering of services- Medical Service Income	5,824,245	0	5,824,245	2,717,467	3,106,778	46.66
Revenue from rent of facilities	0	0	0	0	0	0
Finance / interest income	0	0	0	0	0	0
Other receipts (specify) Salaries	0	0	0	0	0	0
Total income	5,824,245	0	5,824,245	2,717,467	3,106,778	46.66
Expenses						
Medical/Clinical costs	2,050,000	0	2,050,000	1,302,397	747,603	64
Employee costs	944,400	0	944,400	928,103	16,297	98
Purchase of Computers, Printers	97,600	0	97,600	0	97,600	0
Purchase of Beddings & Linen	50,000	0	50,000	0	50,000	0
Sanitary and Cleaning Materials, Supplies and Services	300,000	0	300,000	0	300,000	0
General expenses	715,000	0	715,000	0	715,000	0
Other Fuels (charcoal, cooking gas etc...)	50,000	0	50,000	0	50,000	0
Maintenance of Building and stations	100,000	0	100,000	0	100,000	0

KARATU LEVEL 4 Hospital (KIAMBU County Government)
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Maintenance of Plant, Machinery and Equipment	200,000	0	200,000	0	200,000	0
Refurbishment of Non-residential buildings	438,245	0	438,245	0	438,245	0
Food and Rations	450,000	0	450,000	0	450,000	0
General Office Supplies	100,000	0	100,000	0	100,000	0
Boards, Committees, Conferences and Seminars	100,000	0	100,000	0	100,000	0
Maintenance of Office Furniture and Equipment	49,000	0	49,000	0	49,000	0
Telephone & mobile services	100,000	0	100,000	0	100,000	0
Travel Allowance	50,000	0	50,000	0	50,000	0
Catering Services, accommodation, gifts	30,000	0	30,000	0	30,000	0
Total expenditure	5,824,245	0	5,824,245	0	5,824,245	0
Surplus for the period	0	0	0	0	0	0
Capital expenditure						


The notes set out on pages 10 to 53 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 26/12/2024 and signed on its behalf by:



.....
Francis Muriu
Chairman
Board of Management



.....
Lucy Ng'ang'a
Head of Finance
ICPAK No:



.....
Dr. . Benson Mwaniki
Medical Superintendent

14. Notes to the Financial Statements

1. General Information

Karatu Level 4 hospital is established by and derives its authority and accountability from Kiambu County Health Act 2019. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is offer health services to the people.

2. Statement of Compliance and Basis of Preparation

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

The financial statements have been prepared in accordance with the PFM Act, and *Kiambu County Health Act*, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

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

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

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

Standard	Effective date and impact
	<p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • <i>IPSAS 29: Financial instruments: Recognition and Measurement</i> <p>Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.

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 Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</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> <ul style="list-style-type: none"> <i>i.</i> Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: <i>ii.</i> Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.

iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in the year 2023/2024

4. Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the *Entity* and can be measured reliably. 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 entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

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

Interest income

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

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 FY2023/24 was approved by the 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 entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations on the FY 2023/24 budget following the Board's approval. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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

c. Taxes

Sales tax/ Value Added Tax

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

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

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

e. Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

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 Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

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

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

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

g. Intangible assets

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

Notes to the Financial Statements (Continued)

h. Research and development costs

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

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

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

i. Financial instruments

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 hospital does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the hospital's financial statements.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity 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.

Notes to the Financial Statements (Continued)

Financial assets

Classification of financial assets

The entity 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 entity'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 cash flows 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 entity 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 entity 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.

Notes to the Financial Statements (Continued)

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 entity 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 entity 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 entity 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.

Financial liabilities

Classification

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

Notes to the Financial Statements (Continued)

j. Inventories

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

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

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

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

k. Provisions

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

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

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

Notes to the Financial Statements (Continued)

l. 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 entity 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 entity will incur in fulfilling the present obligations represented by the liability.

m. Contingent liabilities

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

n. Contingent assets

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

o. Nature and purpose of reserves

The hospital does not create or maintain reserves in terms of specific requirements.

p. Changes in accounting policies and estimates

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

Notes to the Financial Statements (Continued)

q. Employee benefits

Retirement benefit plans

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

r. Foreign currency transactions

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

s. Borrowing costs

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

t. Related parties

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

Notes to the Financial Statements (Continued)

u. Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the *Entity* recognizes that asset when, and only when, it controls or regulates the services. The operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the *Entity* also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

v. 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.

w. Comparative figures

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

x. 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 30th, 2024.

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Notes to Financial Statements Continued

6. Transfers from the County Government

Description	Fin yr. 23/24	Fin yr. 22/23
	KShs	KShs
Unconditional grants		
Operational grant		
Level 5 grants		
Unconditional development grants		
Other grants		
Conditional grants		
User fee forgone		
Transforming health services for Universal care project (THUCP)		
DANIDA		
Wards Development grant		
Paediatric block grant		
Administration block grant		
Laboratory grant		
Total government grants and subsidies		

6 b Transfers from The County Government

Name of the Entity sending the grant	Amount recognized to Statement of financial performance*	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	Comparative Period 22/23
	KShs	KShs	KShs	KShs	KShs
Kiambu County Government	0				0
Total	0				0

Notes to Financial Statements Continued

7. In Kind Contributions from The County Government

Description	FY 23/24	FY22/23
	KShs	KShs
Salaries and wages		
Medical supplies-Drawings Rights (KEMSA)	591,925	
Pharmaceuticals and Non-Pharmaceutical Supplies (other suppliers)		
Utility bills		
Total grants in kind	591,925	0

8. Grants From Donors and Development Partners

Description	FY 23/24	FY22/23
	KShs	KShs
Cancer Centre grant- DANIDA		
World Bank grants		
Paediatric ward grant- JICA		
Research grants		
Other grants (<i>specify</i>)		
Total grants from development partners		

8 (a) Grants from donors and development partners (Classification)

Name of the Entity sending the grant	Amount recognized to Statement of financial performance	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	Comparative Period
	KShs	KShs	KShs	KShs	KShs
Donor e.g., DANIDA					
JICA					
World Bank					
Total					

Notes to Financial Statements Continued

9. Transfers From Other Government Entities

Description	FY 23/24	Fy22/23
	KShs	KShs
Transfer from National Government (Ministry of Health)		
Transfer from xxx National Hospital		
Transfer from xxx Institute		
Total Transfers		

10. Public Contributions and Donations

Description	FY 23/24	Fy22/23
	KShs	KShs
Public donations		
Donations from local leadership		
Donations from religious institutions		
Donations from other international organisations and individuals		
Other donations(<i>specify</i>)		
Donations in kind-amortised		
Total donations and sponsorships		

10 (a) Reconciliations of amortised grants

Description	FY 23/24	Fy22/23
	Kshs	Kshs
Balance unspent at beginning of year		
Current year receipts		
Amortised and transferred to revenue		
Conditions to be met – remain liabilities		

Notes to Financial Statements Continued

11. Rendering of Services-Medical Service Income

Description	Fy23/24	Fy22/23
	Kshs	Kshs
Pharmaceuticals		
Non-Pharmaceuticals		
Laboratory		
Radiology		
Orthopedic and Trauma Technology		
Theatre		
Accident and Emergency Service		
Anesthesia Service		
Ear Nose and Throat service		
Nutrition service		
Cancer centre service		
Dental services		
Reproductive health		
Paediatrics services		
Farewell home services		
Other medical services income	2,717,467	2,417,100
Total revenue from the rendering of services	2,717,467	2,417,100

Notes to the Financial Statements (Continued)

12. Revenue From Rent of Facilities

Description	Fy23/24	Fy22/23
	Kshs	Kshs
Residential property		
Commercial property		
Total Revenue from rent of facilities		

13. Finance /Interest Income

Description	Fy23/24	Fy22/23
	Kshs	Kshs
Cash investments and fixed deposits		
Interest income from short- term/ current deposits		
Interest income from Treasury Bills		
Interest income from Treasury Bonds		
Interest from outstanding debtors		
Total finance income		

14. Miscellaneous Income

Description	Fy23/24	Fy22/23
	KShs	KShs
Insurance recoveries		
Income from sale of tender		
Services concession income		
Sale of goods (water, publications, containers etc.)		
Write backs (Deposits, payments in advance etc.)		
Bad debts recovered		
<i>Others (Specify)</i>		
Total Miscellaneous income		

Notes to the Financial Statements (Continued)

15. Medical/ Clinical Costs

Description	Period ended	Comparative
	30th June 2024	Period year
	Kshs	22/23
	Kshs	Kshs
Dental costs/ materials		
Laboratory chemicals and reagents	214,773	67,081
Public health activities		
Food and Ration		
Uniform, clothing, and linen		
Dressing and Non-Pharmaceuticals	383,370	89,910
Pharmaceutical supplies	-	115,784
Health information stationery		-
Reproductive health materials		
Surgical Consumables		
Sanitary and cleansing Materials		
Purchase of Medical gases		
X-Ray/Radiology supplies		
Other medical related clinical costs - Drawing rights	591,925	
Total medical/ clinical costs	1,190,068	272,775

16. Employee Costs

Description	Fy23/24	Fy22/23
	Kshs	Kshs
Salaries, wages, and allowances	928,103	640,800
Contributions to pension schemes		
Service gratuity		
Performance and other bonuses		
Staff medical expenses and Insurance cover		
Group personal accident insurance and WIBA		
Social contribution		
Other employee costs (<i>specify</i>)		
Employee costs	928,103	640,800

Notes to the Financial Statements (Continued)

17. Board of Management Expenses

Description	Fy23/24	Fy22/23
	Kshs	Kshs
Chairman's Honoraria		
Sitting allowance	78,000	58,500
Mileage		
Insurance expenses		
Induction and training		
Travel and accommodation allowance		
Airtime allowances		
Total	78,000	58,500

18. Depreciation and Amortization Expense

Description	Fy23/24	Fy22/23
	Kshs	Kshs
Property, plant and equipment		
Intangible assets		
Investment property carried at cost		
Total depreciation and amortization		

19. Repairs And Maintenance

Description	Fy23/24	Fy22/23
	Kshs	Kshs
Property- Buildings		
Medical equipment repairs		52,000
Office equipment		
Furniture and fittings		
Computers and accessories		
Motor vehicle expenses		
Maintenance of civil works		
Total repairs and maintenance	0	52,000

Notes to the Financial Statements (Continued)

20. Grants And Subsidies

Description	Fy23/24	Fy22/23
	Kshs	Kshs
Community development and social work		
Education initiatives and programs		
Free/ subsidised medical camp		
Disability programs		
Free cancer screening		
Social benefit expenses		
Other grants and subsidies(<i>specify</i>)		
Total grants and subsidies		

21. General Expenses

Description	Period ended	Comparative
	30th June 2024	Period year
	Kshs	22/23
		Kshs
Advertising and publicity expenses		
Catering expenses		-
Waste management expenses		
Insecticides and rodenticides		
Audit fees		
Catering Expenses		-
Consultancy fees		
Contracted services		
Electricity expenses	120,940	177,307
Insurance		
Sanitary and Cleaning Materials		27,000
Travel and accommodation allowance		
General office supply	96,812	
Licenses and permits		
Courier and postal services		
Printing and stationery		
Computers, printers & other IT Equipment		
Bank charges charges	14,475	37,320

Rent expenses		
Water and sewerage costs	54,542	223,995
Skills development levies		
Telephone and mobile phone services		
Fuel, oil & lubricants		
Institutional appliances		
Other fuel (Charcoal and firewood)		
Internet expenses		
Staff training and development		
Subscriptions to professional bodies		
Subscriptions to newspapers periodical, magazines, and gazette notices		
Library books/Materials		
other operating expenses		
Total General Expenses	286,769	465,622

22. Finance Costs

Description	Fy23/24	Fy22/23
	KShs	KShs
Borrowings (amortized cost) *		
Finance leases (amortized cost)		
Interest on Bank overdrafts/Guarantees		
Interest on loans from commercial banks		
Total finance costs		

23. Gain/Loss on Disposal of Non-Current Assets

Description	Fy23/24	Fy22/23
	KShs	KShs
Property, plant, and equipment		
Intangible assets		
Other assets not capitalised (<i>specify</i>)		
Total gain on sale of assets		

24. Unrealized Gain On Fair Value Investments

Description	Fy23/24	Fy22/23
	KShs	KShs
Investments at fair value		
Total gain		

Notes to the Financial Statements (Continued)

25. Medical Services Contracts Gains /Losses

Description	Fy23/24	Fy22/23
	KShs	KShs
Comprehensive care contracts with NHIF		
Non- Comprehensive contracts care with NHIF		
Linda Mama Program		
Waivers and Exemptions		
Total Gain/Loss		

26. Impairment Loss

Description	Fy23/24	Fy22/23
	KShs	KShs
Property, plant, and equipment		
Intangible assets		
Total impairment loss		

27. Cash And Cash Equivalentents

Description	Period ended 30th June 2024	Comparative prior period	2022/23
	Kshs	Kshs	Kshs
Current accounts	263,424		11,706
On - call deposits	-	-	-
Fixed deposits accounts	-	-	-
Cash in hand	-	-	-
Others(<i>specify</i>)- Mobile money	-	-	-
Total cash and cash equivalentents	263,424	-	11,706

Notes to the Financial Statements (Continued)

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

Description		Period ended 30th June 2024	2022/2023
Financial institution	Account number	Kshs	Kshs
a) Current account			
KCB- FIF	1118019970	(6,257)	371
KCB- NHIF	1256632805	259,209	910
Family Bank-Revenue	*001000053771	10,472	8,827
Paybill –revenue	7146453		1,539
			-
Sub- total		263,424	11,706
b) On - call deposits			
Kenya Commercial bank		-	-
Equity Bank –etc		-	-
Sub- total		-	-
c) Fixed deposits account			
Bank Name		-	-
Sub- total		-	-
d) Others(<i>specify</i>)			
cash in hand		-	-
Mobile money- Mpesa, Airtel money		-	-
Sub- total		-	-
Grand total		263,424	11,706

28. Receivables From Exchange Transactions

Description	FY23/24	FY22/23
	KShs	KShs
Medical services receivables-NHIF	552,033	700,233
Rent receivables		
Other exchange debtors		
Less: impairment allowance		
Total receivables	552,033	700,233

Analysis of Receivables From Exchange Transactions

Description	FY23/24		FY22/23	
	Kshs		Kshs	
	FY23/24	% of the total	FY22/23	% of the total
Less than 1 year	552,033	100%		%
Between 1- 2 years		%		%
Between 2-3 years		%		%
Over 3 years		%		%
Total (a+b)	552,033	100%		%

29. Receivables From Non-Exchange Transactions

Description	FY23/24	FY22/23
	KShs	KShs
Transfers from the County Government		
Undisbursed donor funds		
Other debtors (<i>non-exchange transactions</i>)		
Less: impairment allowance		
Total		

Analysis of Receivables From Non-Exchange Transactions

Description	FY23/24		FY22/23	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total

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Less than 1 year		%		%
Between 1- 2 years		%		%
Between 2-3 years		%		%
Over 3 years		%		%
Total (a+b)		%		%

30. Inventories

Description	FY23/24	FY22/23
	KShs	KShs
Pharmaceutical supplies	598,070	678,513
Non pharms supplies	799,908	2,249,366
Laboratory supplies	170,170	
Linen and clothing supplies		
Cleaning materials supplies		
General supplies		
Less: provision for impairment of stocks		
Total	1,568,148	2,927,879

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Notes to the Financial Statements (Continued)

31. Property, Plant and Equipment

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
Cost	0	0	0	0	0	0	0	0
At 1 July 2023 (previous year)	0	0	0	0	0	0	0	0
Additions	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0
Transfers/adjustments	0	0	0	0	0	0	0	0
At 30th June 2024	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0
At 1 July 2023 (current year)	0	0	0	0	0	0	0	0
Additions	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0
Transfer/adjustments	0	0	0	0	0	0	0	0
At 30th June 2024	0	0	0	0	0	0	0	0
Depreciation and impairment	0	0	0	0	0	0	0	0
At 1 July 2023(previous year)	0	0	0	0	0	0	0	0
Depreciation for the year	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0
Impairment	0	0	0	0	0	0	0	0
At 30 June 2024	0	0	0	0	0	0	0	0

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Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
At July 2023 (current year)	0	0	0	0	0	0	0	0
Depreciation	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0
Impairment	0	0	0	0	0	0	0	0
Transfer/adjustment	0	0	0	0	0	0	0	0
At 30th June 2024	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0
Net book values	0	0	0	0	0	0	0	0
At 30 th Jun 2023 (previous)	0	0	0	0	0	0	0	0
At 30 th Jun 2024 (current)	0	0	0	0	0	0	0	0

Notes to the Financial Statements (Continued)

32. Intangible Assets-Software

Description	FY23/24	FY22/23
	KShs	KShs
Cost		
At beginning of the year		
Additions		
Additions-Internal development		
Disposal		
At end of the year		
Amortization and impairment		
At beginning of the year		
Amortization for the period		
Impairment loss		
At end of the year		
NBV		

33. Investment Property

Description	FY23/24	FY22/23
	KShs	KShs
At beginning of the year		
Additions		
Disposals during the year		
Fair value gain		
Depreciation (<i>where investment property is at cost</i>)		
Impairment		
At end of the year		

Notes to the Financial Statements (Continued)

34. Trade and other Payables

Description	FY23/24		FY22/23	
	KShs		KShs	
Trade payables	878,355		177,938	
Employee dues				
Third-party payments (e.g. unremitted payroll deductions)				
Audit fee				
Doctors' fee				
Total trade and other payables	878,355		177,938	
Ageing analysis:	Fy23/24	% of the Total	Fy22/23	% of the total
Under one year	878,355	100%	177,938	100%
1-2 years		%		%
2-3 years		%		%
Over 3 years		%		%
Total	878,355	100%	177,938	100%

35. Refundable Deposits from Customers/Patients

Description	FY23/24		FY22/23	
	KShs		KShs	
Medical fees paid in advance				
Credit facility deposit				
Rent deposits				
Others (specify)				
Total deposits				
Ageing analysis:	Fy23/24	% of the Total	Fy22/23	% of the Total
Under one year		%		%
1-2 years		%		%
2-3 years		%		%
Over 3 years		%		%
Total		%		%

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Notes to the Financial Statements (Continued)

36. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year				
Additional Provisions				
Provision utilised				
Change due to discount & time value for money				
Total provisions				
Current Provisions				
Non-Current Provisions				
Total Provisions				

37. Finance Lease Obligation

Description	FY23/24	FY22/23
	Kshs	Kshs
Current Lease obligation		
Long term lease obligation		
Total		

38. Deferred Income

Description	FY23/24	FY22/23
	KShs	KShs
Current Portion		
Non-Current Portion		
Total		

Notes to the Financial Statements (Continued)

38 (a) The deferred income movement is as follows:

Description	National government	International funders/ donors	Public contributions and donations	Total
Balance b/f				
Additions during the year				
Transfers to Capital fund				
Transfers to statement of financial performance				
Other transfers (<i>Specify</i>)				
Balance C/F				

39. Borrowings

Description	FY23/24	FY22/23
	KShs	KShs
Balance at beginning of the period		
External borrowings during the year		
Domestic borrowings during the year		
Repayments of external borrowings during the year		
Repayments of domestic borrowings during the year		
Balance at end of the period		

39. (a) Breakdown of Long- and Short-Term Borrowings

Description	FY23/24	FY22/23
	KShs	KShs
Current Obligation		
Non-Current Obligation		
Total		

Notes to the Financial Statements (Continued)

40. Service Concession Arrangements

Description	FY23/24	FY22/23
	KShs	KShs
Fair value of service concession assets recognized under PPE		
Accumulated depreciation to date		
Net carrying amount		
Service concession liability at beginning of the year		
Service concession revenue recognized		
Service concession liability at end of the year		

41. Social Benefit Liabilities

Description	FY23/24	FY22/23
	Kshs	Kshs
Health social benefit scheme		
Unemployment social benefit scheme		
Orphaned and vulnerable benefit scheme		
People Living with Disabilities benefit Scheme		
Elderly social benefit scheme		
Bursary social benefits		
Total		
Current social benefits		
Non- current social benefits		
Total (tie to totals above)		

Notes to the Financial Statements (Continued)

42. Cash Generated from Operations

Surplus for the year before tax	FY23/24	FY22/23
	KShs	KShs
Adjusted for:		
Depreciation		
Non-cash grants received		
Impairment		
Gains and losses on disposal of assets		
Contribution to provisions		
Contribution to impairment allowance		
Working Capital adjustments		
Increase in inventory		
Increase in receivables		
Increase in deferred income		
Increase in payables		
Increase in payments received in advance		
Net cash flow from operating activities	234,527	946,903

Notes to the Financial Statements (Continued)

43. Financial Risk Management

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

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

(i) Credit risk

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023(previous year)				
Receivables from exchange transactions				
Receivables from –non-exchange transactions				
Bank balances				
Total				
At 30 June 2024 (current year)				
Receivables from exchange transactions				
Receivables from –non-exchange transactions				
Bank balances				
Total				

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

(ii) Liquidity risk management

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023				
Trade payables				
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
Total				
At 30 June 2024				
Trade payables				
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
Total				

Notes to the Financial Statements (Continued)

(iii) Market risk

The hospital has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the entity's exposure to market risks or the way it manages and measures the risk.

a) Foreign currency risk

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

Description	KShs	Other currencies	Total
	Kshs		Kshs
At 30 June 2022			
Financial assets (investments, cash, debtors)			
Liabilities			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)			

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

Notes to the Financial Statements (Continued)

Description	KShs	Other currencies	Total
	Kshs		Kshs
At 30 June 2024			
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 company'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
2023(previous year)			
Euro	10%		
USD	10%		
2024 (current year)			
Euro	10%		
USD	10%		

b) Interest rate risk

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

Management of interest rate risk

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

Notes to the Financial Statements (Continued)

Sensitivity analysis

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

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 (2024: KShs). A rate increase/decrease of 5% would result in a decrease/increase in surplus of KShs (2024 – KShs).

iv) Capital Risk Management

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

Description	FY 23/24	FY 22/23
	Kshs	Kshs
Revaluation reserve	0	0
Retained earnings	0	0
Capital reserve	0	0
Total funds	0	0
Total borrowings	0	0
Less: cash and bank balances	0	0
Net debt/ (<i>excess cash and cash equivalents</i>)	0	0
Gearing	0	0

Notes to the Financial Statements (Continued)

44. Related Party Balances

Nature of related party relationships

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

Kiambu County Government is the principal shareholder of the hospital, holding 100% of the hospital's equity interest. The National Government of Kenya has provided full guarantees to all long-term lenders of the entity, 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 23/24	FY 22/23
	Kshs	Kshs
Transactions with related parties		
a) Services offered to related parties		
Services to	0	0
Sales of services to	0	0
Total	0	0
b) Grants from the Government		
Grants from County Government	0	0
Grants from the National Government Entities	0	0
Donations in kind	0	0
Total	0	0
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees	0	0
Payments for goods and services for	0	0
Total	0	0
d) Key management compensation		

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Description	FY 23/24	FY 22/23
	Kshs	Kshs
Compensation to the medical Sup	0	0
Compensation to key management	0	0
	0	0
Total	Directors' emoluments	0

45. Segment Information

The hospital entirely operates from Karatu, Gatundu South Sub-County in Kiambu County, under the Health Department.

46. Contingent Liabilities

Contingent liabilities	FY 23/24	FY 22/23
	Kshs	Kshs
Court case against the company	0	0
Bank guarantees in favour of subsidiary	1	0
Total	0	0

47. Capital Commitments

Capital Commitments	FY 23/24	FY 22/23
	Kshs	Kshs
Authorised For	0	0
Authorised And Contracted For	0	0
Total	0	0

48. Events after the Reporting Period

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

49. Ultimate and Holding Entity

The hospital is a Semi- Autonomous Government Agency under the Ministry of health. Its ultimate parent is the Government of Kenya.

50. Currency

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

15. 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:	Timeframe:
			Not Resolved	
1	Review of service output from the Kenya Health Information System (KHIS) against some of the basic essential healthcare services that Karatu Level 4 hospital offers revealed that the hospital does not offer some the services accredited to a Level 4 hospital. In overall, the hospital fails to actualize its role in universal health care through offering primary services. There is need therefore for the hospital to reexamine its service delivery pillars	Challenge due to lack of finances	Not Resolved	Not predictable But a letter has been Done requesting for an upgrade of service

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2	<p>The Hospital does not have a risk management policy in place. This is in contrary to Regulation 158 of the Public Finance Management (County Government) Regulations 2015 which provides that a County Government entity shall develop risk management strategies, which includes fraud prevention mechanism, and a system of risk management and internal controls that builds robust business operations. In the circumstance, it was not possible to confirm how the entity identified the risks, the significance of the identified risks and likelihood of the risks occurring.</p>	<p>The Management aimed to prepare the risk management policy and have it approved by the Board of management.</p>	Resolved	
3	<p>The Hospital has not established an internal audit department and no internal audit reviews were carried out contrary to Section 157 of the Public Finance Management (County Government) Regulations, 2015 which stipulates the role of the internal audit as reviewing and evaluating budgetary performance, financial management, transparency and accountability mechanisms and processes in county government entities. In the circumstance, the institution is in breach of Section 157 of the Public Finance Management (County Government) Regulations, 2015.</p>	<p>The Management aimed to liaise with the County Government of Kiambu to ensure internal audit reviews are carried out</p>	Resolved	



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Accounting Officer

Dr. Benson Mwaniki

Appendix II: Projects Implemented by the Entity

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	N/A	N/A	N/A	N/A	N/A	N/A
2						

Status of Projects completion

SN	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2							
3							

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Appendix III: Inter-Entity Confirmation Letter

Confirmation of amounts received by Karatu Level 4 Hospital as at 30 th June 2024					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
	5.9.24	219,321	0	219,321	
	15.1.24	385,379	0	385,379	
	15.4.24	519,500	0	519,500	
Total		1,124,200		1,124,200	

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

Head of Accounts Department - Disbursing Entity:

Name Alex Wotu Sign A.W Date 26/12/24

Head of Accounts Department - Beneficiary Entity:

Name Lucy Ngunjiri Sign [Signature] Date 26/12/24

Appendix V: Disaster Expenditure Reporting Template

Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments
N/A	N/A	N/A	N/A	N/A	N/A	N/A

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Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments
N/A	N/A	N/A	N/A	N/A	N/A	N/A