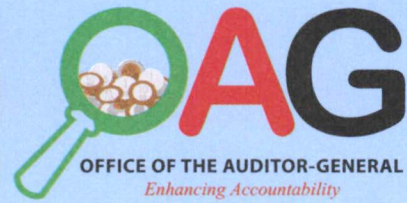


REPUBLIC OF KENYA



REPORT

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OF

THE AUDITOR-GENERAL

PAPERS LAID	
ON	DATE 17/2/26
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COMMITTEE	
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MAGUTUNI SUB-COUNTY HOSPITAL

FOR THE YEAR ENDED
30 JUNE, 2024

COUNTY GOVERNMENT OF
THARAKA-NITHI



REPUBLIC OF KENYA



COUNTY GOVERNMENT OF THARAKA NITHI



MAGUTUNI SUB-COUNTY HOSPITAL

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)

COUNTY GOVERNMENT OF THARAKA NITHI
COUNTY TREASURY



Telephone: 1513

Email: treasury@tharakanithi.go.ke

REF: TNCG/ACC/MH /VOL.I/01

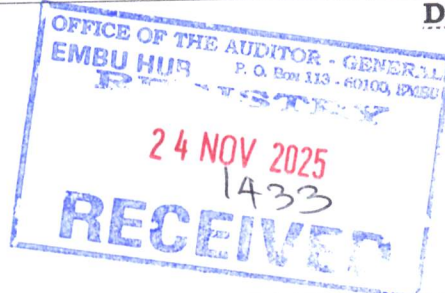
The Auditor General
Office of the Auditor General
Embu Hub
P.O Box 113- 60100
EMBU



P. O. BOX 10-60406

KATHWANA

Date: 05th December, 2024



**RE: THARAKA NITHI COUNTY MAGUTUNI SUB-COUNTY HOSPITAL ANNUAL REPORT
AND FINANCIAL STATEMENTS FY 2023/2024**

In accordance to Public Financial Management Act 2012, Section 167, we hereby submit Magutuni Hospital Annual Report and Financial Statements for the Financial Year ended 30th June 2024.

Please find enclosed report for your necessary action.

Thank you

Lawrence K. Ileri Rweria
CECM- Finance, Economic Planning and Resource Mobilization

cc

- The Clerk, County Assembly of Tharaka Nithi
- The Director General, Accounting Services and Quality Assurance
- The Commission on Revenue Allocation
- The Controller of Budget

Magutuni Sub-County Hospital (Tharaka Nithi County Government)
Annual Report and Financial Statements
For The Year Ended 30th June 2024

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1. Acronyms & Glossary of Terms

CSR	Corporate Social Responsibility
Fiduciary Management	Key management personnel who have financial responsibility in the entity.
MED SUP	Medical Superintendent
PFMA	Public Financial Management Act
NHIF	National Health Insurance Fund
MED SUPT	Medical Superintendent
HAO	Health Administrative Officer
HMT	Hospital Management Team

1. Key Entity Information and Management

(a) Background information

Magutuni Hospital is a level (4) hospital established under gazette notice number 3144 dated 07th March 2023 and is domiciled in Tharaka Nithi County under the Health Department. The hospital is governed by Hospital Management Committee.

(b) Principal Activities

The principal activity of the entity is to provide curative and preventive medical services to the residents of Tharaka Nithi

(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. Christine Mbaka
2.	Nursing Services Manager	Lucy Wanja
3.	Health Administrative Office	Nancy Kathure

(e) Fiduciary Oversight Arrangements

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

Magutuni Sub-County Hospital (Tharaka Nithi County Government)
Annual Report and Financial Statements
For The Year Ended 30th June 2024

Key Entity Information and Management (continued)

- (f) **Entity Headquarters**
Magutinu Hospital
P.O. Box 10 – 60401
Magutuni
- (g) **Entity Contacts**

Telephone: +254 753792760
E-mail: magutuni@gmail.com
- (h) **Entity Bankers**

Family Bank of Kenya
Chuka Branch
CHUKA
- (i) **Independent Auditors**

Auditor General
Office of Auditor General
Anniversary Towers, Institute Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya
- (j) **Principal Legal Adviser**

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya
- (k) **County Attorney**
County Government of Tharaka Nithi
P.O. Box 10 -60406
Kathwana, Kenya

2. Key Management Team

Ref	Management	Details
1.		<p>Dr Christine Kathomi Mbaka Medical Superintendent</p> <p>Holds a degree in Bachelor of Medicine and Bachelor in Surgery(MBChB).</p> <p>Superintends the hospital</p>
2.		<p>Nancy Kathure Hospital Administrator</p> <p>Co-ordinates health administrative functions</p>
3.		<p>Lucy Wanja Kiraithe Nursing Services Manager</p> <p>Oversees nursing services in the hospital</p>

3. Report of The Medical Superintendent

BACKGROUND

The construction of Magutuni Hospital started in the year 1965 through the initiative of the local community and it was opened in 1974 as a dispensary. In the year 1995, the maternity wing was constructed through the government development funds. In 1996, the facility was up graded from a dispensary to a health centre and started to admit maternity cases.

In 1996/97 financial year, funds to construct a general ward with a bed capacity of 40beds were disbursed from the government kitty. In addition to the general ward, other departments such as laundry, kitchen, laboratory and administration block were also put in place.

In the year 2007, Maara District was created and that Magutuni Sub District Hospital was upgraded to a District Hospital.

The promulgation of the new constitution in the year 2010 created a two-tier government i.e. National and County government. County health services was devolved to the counties including in particular county health facilities and pharmacies, ambulance services, promotion of primary health care among others. Magutuni County Level IV hospital is a Tharaka Nithi county managed hospital.

THE HOSPITAL LAND

The parcel of land where the hospital is located is KIERA EAST NO. 978 approximately 8acres, 2acres are developed and 6acres are undeveloped. The big portion of the hospital land is fenced and it's only about 1.5 acres that is not fenced. Fencing of the remaining portion has been planned for.

Please follow up for the:

Title Deed, we have the green card. Follow up with the County surveyor for transfer.

Hospital Plan, we have a sketch

Site Plans

HOSPITAL SHAMBA

The unfenced portion of the hospital land is usually cultivated by the hospital. The other fenced portion is where we have the hospital infrastructures and below we have the hospital mortuary.

THE HOSPITAL DEPARTMENTS

The hospital has the following Offices/Units:

1. Comprehensive Care Unit (CCC)
2. Medical Records Office
3. Medical Superintendent's Office
4. Laboratory Department
5. Health Administrative Officer's Office
6. Human Resource Department
7. Pharmacy Department

Magutuni Sub-County Hospital (Tharaka Nithi County Government)
Annual Report and Financial Statements
For The Year Ended 30th June 2024

8. Physiotherapy Department
9. Maternity Dept
10. Stores Department
11. Catering Department (Hospital kitchen)
12. Public Health Officer's Office
13. Occupational therapy dept.
14. Radiology Department
15. Consultation
16. Dressing office
17. Registration
18. Payment/NHIF Office
19. MCH
20. Nursing services

OTHER UNITS INCLUDE

21. Generator 50KVA
22. Solid waste management microwave (Incinerator)
23. Laundry area
24. Power house
25. Oxygen plant
26. Mortuary

TRANSPORT

The hospital has five (5) vehicles:

- Toyota Hiace Ambulance GKC080A
- Nissan Ambulance GKA490T
- Mercedes Ambulance
- D-max Isuzu GKB119B-Utility vehicle
- Nissan CG13044A-Utility vehicle

HOSPITAL GENERATOR

In good condition and working. Occasionally requires servicing.

HOSPITAL COLLECTIONS

The hospital service charges collection is paid through Mpesa paybill number. No cash collection is allowed.

PERSONNEL ESTABLISHMENT

Staff cadres	Total number available	Total number required	Gap/Surplus
Consultants	2	4	2
Medical officers	3	5	2
Dentists	0	2	2
Dental technologists	0	3	3
Public health officers	1	2	1

Magutuni Sub-County Hospital (Tharaka Nithi County Government)
Annual Report and Financial Statements
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Pharmacists	2	2	0
Pharmacy technologists	4	8	4
Laboratory technologists	5	10	5
Orthopedic technologists	1	3	2
Nutritionists	2	4	2
Radiographers	1	3	2
Physiotherapists	0	3	3
Occupational therapists	1	3	2
Plaster technicians	0	2	2
Health records & information officers	4	8	4
Medical engineering technologists	0	3	3
Medical engineering technicians	1	2	1
Plumber	1	2	1
Mortuary attendants	1	3	2
Drivers	2	5	3
Accountants	0	2	2
Administrators	1	2	1
Clinical officers (specialists)	1	5	4
Clinical officers (general)	6	15	9
Nursing staff (KRCHN)	32	60	28
Nursing staff (KECHN)	1	10	9
Laboratory technicians	0	0	0
Community oral health officers	1	4	3
Secretarial staff/Clerks	6	12	6
Attendants/Nurse aides	0	0	0
Cooks	0	5	5
Cleaners	14	28	14
Security	4	6	2
Community health extension workers (PHT's, social workers, etc.)	2	4	2
Community health workers	10	20	10

FUTURE DEVELOPMENT PROJECTS

PROJECT NAME	DESCRIPTION	% COMPLETION	REMARKS
New generator 500kva	New proposal	Planned	The current generator is old and small capacity 50KVA. Can't power the hospital equipment
Construction of waiting bay, ablution block at the mortuary	New Proposal	Planned	To be planned in the next budget

Magutuni Sub-County Hospital (Tharaka Nithi County Government)
Annual Report and Financial Statements
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Equipping the Mortuary with 8N0. Body refrigerator	To be procured	Planned	Next budget
Oxygen Piping to the wards	To be procured	On going	Next budget
Renovations of the below areas: CCC clinic Kitchen Doctors launch	To be procured	Planned	Next budget
Construction and equipping: New kitchen, X-ray department Medical / surgical wards Pharmacy Administration Block/outpatient block Rehabilitative clinic Construction of hospital perimeter wall Septic tank Waste banner Dental department	To be procured	Planned	Next budget
Construction of staff ablution block	To be procured	Planned	Next budget
Revamp the borehole	Testing of the water and install a tank with and solar pump	Planned	Next budget

CHALLENGES

Shortage of staff especially clerical officers to carry on the duties in the cash office; also the hospital requires additional support staff.

The hospital requires a bigger generator since most of the equipments are not connected to the generator that we have. Eg laundry machines, waste management micro wave and oxygen plant.

Dr. Christine Mbaka

Sign 

Date: 23rd July, 2024

.....

Medical Superintendent

4. Statement of Performance Against Predetermined Objectives

The hospital has no strategic plan. However, every year Annual Work Plans (AWPs) are developed that guides on the developments projects, equipment and trainings needed to be undertaken.

5. Management Discussion and Analysis

The hospital has experienced tremendous growth, expanding and establishing in various capacities. Our commitment is to providing exceptional healthcare services, which is significant in reductions in neonatal and perinatal mortality rates. Our efforts to improve patient care have been complemented by increased revenue, demonstrating the financial sustainability of our operations. The hospital has prioritized patient satisfaction, consistently receiving positive feedback for the quality of care, accessibility, and overall experience. The hospital is fully compliant with all relevant statutory bodies, including KMPDC that regulates clinical practice, with our clinicians adhering to the highest standards of care and ethical guidelines. However, we face several risks, including staffing shortages, increasing demand for services, resource constraints, and potential disruptions in supply chains, which could impact our continued growth and service delivery. The hospital is committed to maintaining excellence, efficiency, and continuous improvement in all aspects of our operations.

Clinical/operational performance

- Bed capacity of the hospital -50
- Overall patient attendance during the year for both inpatient and outpatient- 20,375
- Accident and Emergency attendance- 935
- Specialised clinic attendance- 4827
- Average length of stay for in patient- 10-12 days
- Bed occupancy rate- 73%
- Mortality rate- 4.1%
- Surgical theatre utilisation (number of operations over a period of time)- 47

Financial performance that includes: -

- Revenue sources – County Government of Tharaka Nithi
- Revenue generated in the 2023/2024 F/Y – **Ksh. 12,579,266**
-

6. Environmental and Sustainability Reporting

Introduction

The main mandate of Magutuni Hospital is to provide accessible, high-quality, and affordable healthcare services to the population of Tharaka Nithi County and beyond. As a public Level 4 Hospital, offers specialized medical services, including advanced diagnostics, surgical care, maternity services, and emergency care. The hospital is tasked with promoting preventive, curative, and rehabilitative health interventions while training healthcare professionals and supporting research initiatives. Additionally, it ensures compliance with national health policies, manages resources efficiently, and addresses public health challenges in collaboration with the community and stakeholders to improve overall health outcomes.

Strategies

- There is increased and strengthened our revenue stream through automation of revenue collection and reporting.
- Automation of the inventory system through the Afya-Ke ensures that stock status of supplies is monitored, and reordering is only done once we reach the buffer zone. This minimizes wastage of supplies in the departments. In addition, efficient procurement practices ensure we avoid “withholding of inventory” and only essential supplies are procured routinely.
- We have promoted environmental sustainability through efficient waste management practices, tree planting, rainwater saving and energy saving bulbs.
- Employment of various cadres of staff ensures continuity of quality services. Key staff like medical consultants, doctors, nurses, plaster technicians and radiographers were employed in the past year.

Challenges

- Budgetary constraints that limit funding to hospitals.
- Rising costs of medical supplies compounds the budgetary constraints.
- Unpredictable influx of patients from the neighbouring county of Meru due to strikes by their healthcare workers strains our resources.
- Extreme weather events like prolonged dry seasons leads to erratic water supply to the hospital.
- There is inadequate waste management systems.

- Urban growth with changes in disease patterns. There are increasing incidences of non-communicable diseases like diabetes, high blood pressure, obesity, malnutrition and heart diseases.

i) Environmental performance

Magutuni hospital fraternity focuses on safe and sustainable healthcare delivery. Key initiatives include the proper management and disposal of medical and non-medical waste through functional waste segregation systems and incineration. Efforts are being made to adopt energy-efficient technologies, such as solar energy, to reduce energy consumption and operational costs. Water conservation measures, such as rainwater harvesting, have been implemented to address water scarcity. However, challenges such as inadequate waste disposal facilities, limited environmental awareness among staff hinder optimal environmental performance.

ii) Employee welfare

The hospital prioritizes employee welfare by fostering a supportive work environment and addressing staff needs to enhance motivation and productivity. Efforts include holding regular staff meetings, regular training, and opportunities for professional growth. The hospital also ensures access to healthcare services for employees and their families, along with creating mechanisms for addressing grievances and promoting work-life balance. The hospital also offers mental health support to its staff through scheduled counselling sessions and mental health talks.

There is also an open-door policy whereby mingle freely with the hospital administration, addressing all feedback promptly without going through numerous levels.

iii) Market place practices-

a) Responsible Supply chain and supplier relations

The hospital maintains strong and collaborative relationships with its suppliers to ensure the consistent availability of essential drugs, medical supplies, and equipment. These partnerships are built on trust, timely payments, and clear communication regarding procurement needs and expectations.

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON MAGUTUNI SUB-COUNTY HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2024 – COUNTY GOVERNMENT OF THARAKA - NITHI

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 Magutuni Sub-County Hospital set out on pages 1 to 25, which comprise of the statement of financial position as at

Report of the Auditor-General on Magutuni Sub-County Hospital for the year ended 30 June, 2024 – County Government of Tharaka - Nithi

30 June, 2024 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Magutuni Sub-County Hospital – County Government of Tharaka - Nithi 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 Health Act, 2017 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unsupported Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment net book value of Kshs.48,623,768 as disclosed in Note 16 to the financial statements. However, the balance excludes the balances of land, furniture, fittings, medical equipment, computer accessories and printers. In addition, log books for two (2) motor vehicles were not provided for audit. This is contrary to Section 72(1) A of the Public Financial Management Act, 2012 which states that an Accounting Officer is responsible for the management of the entity's assets and liabilities; and (b) manage those assets in a way which ensures that the National Government entity achieves value for money in acquiring, using and disposing of those assets. Further, register of land and buildings and terms for which they are held, were also not provided for audit.

In the circumstances, the accuracy and completeness of property, plant and equipment net book value of Kshs.48,623,768 could not be confirmed.

2. Unexplained Variance Between the Statement of Financial Position and the Statement of Changes in Net Assets

The statement of changes in net assets reflects net assets balance of Kshs.(26,989,461). However, a re-computation of the same gives a balance of Kshs.(40,911,770) resulting in a variance of Kshs.13,922,309 which has not been explained or reconciled. In addition, the statement of financial position reflects a net assets balance of Kshs.17,705,611 leading to another variance of Kshs.44,695,072 which has also not been explained or reconciled.

In the circumstance, the accuracy of the statement of financial position and the statement of changes in net assets could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Magutuni Sub-County Hospital Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other

ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

Other Information

The Management Committee is responsible for the Other Information set out on page iv to xiv which comprise of Key Entity Information and Management, Key Management Team, Report of The Medical Superintendent, Statement of Performance Against Predetermined Objectives, Management Discussion and Analysis and Environmental and Sustainability Reporting. The Other Information does not include the financial statements and my audit report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN 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. Failure to Prepare a Budget

During the financial year under review, Management of the Hospital did not prepare estimates of revenue and expenditure in contravention of Section 149(2)(h) of the Public Finance Management Act, 2012 which provides that an Accounting Officer should, in

respect of the entity, prepare estimates of expenditure of the entity in conformity with the strategic plan.

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

2. Irregular Transfer of Funds to the County Revenue Fund

The statement of cash flows reflects transfer to CRF amount of Kshs.13,918,164 as disclosed in Note 13 to the financial statements. This amount was collected under Facility Improvement Fund and transferred to the County Revenue Fund. This contravenes Section 5 (1) of the Facilities Improvement Financing Act, 2023 which states that there shall be retention of all monies raised or received by or on behalf of all public health facilities. Instead of retaining the funds for direct facility use, the hospital redirected them to the County's Revenue Fund Account, undermining the purpose of FIF to empower health facilities with financial autonomy for service improvements. The health facilities should however retain the funds in their facility improvement Fund Account.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on the 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. Failure to Establish an Audit Committee and Operationalize Internal Audit Function

During the year under review, the Hospital did not have an Audit Committee. Further, no evidence was produced to confirm that the Hospital had an Internal Audit Unit. This was contrary to Regulation 167(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires each County Government entity to establish an Audit Committee.

In the circumstances, the Hospital operated without a mechanism for assessing and mitigating financial and operational risks.

2. Failure to Maintain Revenue Cash Book

Review of revenue records revealed that the income from rendering of services was collected and deposited in Health Sector Revenue Collection Account. Management did not maintain a revenue cash book with details on daily billings and collections (amount paid), transfers to the Fund Account, withdrawals through Authority to Incur the Expenditure (AIEs) and revenue receivables.

In addition, the monthly departmental revenue schedules were not supported with detailed daily schedules on amount charged per patient. This was contrary to Regulation 100 of the Public Finance Management (County Governments) Regulations, 2015 which provides that the Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and preparation of the accounts of the vote for which he or she is responsible. Further, there are no quarterly revenue reports on the revenues collected and banked as required by law.

In the circumstances, the system of internal control over revenue was weak and could lead to losses, misuse and misstatements in the financial statements.

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 the Hospital Management Committee

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

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

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

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

comply with the authorities which govern them and that public resources are applied in an effective way.

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


Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

27 November, 2025

Magutuni Sub-County Hospital (Tharaka Nithi County Government)
 Annual Report and Financial Statements
 For The Year Ended 30th June 2024

8. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2024

Description	Note	FY 2023/2024	FY 2022/2023
		Ksh.	Ksh.
Revenue from non-exchange transactions			
In- kind contributions from the County Government	6	112,757,400	84,091,150
Revenue from exchange transactions			
Rendering of services- Medical Service Income	7	12,579,266	11,962,965
Total Revenue		125,336,666	96,054,115
Expenses			
Medical/Clinical costs	8	13,983,433	5,858,990
Employee costs	9	90,160,700	91,735,790
Depreciation and Amortization expense	10	1,271,404	
General expenses	11	15,212,902	3,145,296
Total Expenses		120,629,439	100,740,076
Net Surplus / (Deficit) for the year		4,707,227	(4,685,961)

The Hospital's financial statements were approved on 23rd July 2024 and signed by:



.....
Accountant
 ICPAK No:21856



.....
Medical Superintendent

Magutuni Sub-County Hospital (Tharaka Nithi County Government)
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9. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2024

Description	Note	FY 2023/24	FY 2022/23
		Ksh.	Ksh.
Assets			
Current Assets			
Cash and Cash Equivalents	14	6,767	1,344,617
Receivables from Exchange Transactions	15	1,136,000	1,382,000
Total Current Assets		1,142,767	2,726,617
Liabilities			
Current Liabilities			
Account Payables	17	32,060,924	15,531,549
Total Current Liabilities		32,060,924	15,531,549
Net Current Assets		(30,918,157)	(12,804,932)
Non-Current Assets			
Property, Plant, and Equipment	16	48,623,768	43,577,695
Total Non-current Assets			
Total assets (A)		17,705,611	30,772,763
Represented by:			
Accumulated surplus / Deficit		(26,989,461)	(13,922,309)
Capital Fund		44,695,072	44,695,072
Net Assets		17,705,611	30,772,763

The Hospital's financial statements were approved on 23rd July 2024 and signed by:



.....
 Accountant
 ICPAK No: 21856



.....
 Medical Superintendent

Magutuni Sub-County Hospital (Tharaka Nithi County Government)
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10. STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE 2024

Description	Accumulated Surplus / Deficit	Capital Fund	Total
As at July 1, 2022			
Development Grant		44,695,072	44,695,072
Transfer to CRF	(9,236,348)		(9,236,348)
Surplus / (deficit) for the year	(4,685,961)		(4,685,961)
As at June 30, 2023	(13,922,309)	44,695,072	30,772,763
At July 1, 2023	(13,922,309)	44,695,072	30,772,763
Cash and cash Equivalent B/F	1,345,612		1,345,612
Account payable B/F	(19,124,189)		(20,260,189)
Transfer to CRF	(13,918,111)		(13,918,164)
Surplus/(deficit) for the year	4,707,227		5,843,280
At June 30, 2024	(26,989,461)	44,695,072	(26,989,461)

Magutuni Sub-County Hospital (Tharaka Nithi County Government)
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11. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2024

Description	Note	FY 2023/24	FY 2022/23
		Ksh.	Ksh.
Cash flows from operating activities			
Receipts			
Rendering of services- Medical Service Income		12,579,266	11,962,965
Total Receipts		12,579,266	11,962,965
Payments			
Refunds paid out (Transfer to CRF)	13	13,918,111	9,236,348
Total Payments		13,918,111	9,236,348
Net cash flows from Operating Activities			
Net increase / (decrease) in cash and Cash Equivalents		1,337,850	1,344,617
Cash and cash equivalents as at 1 July 2023		1,344,617	0
Cash and cash equivalents as at 30 June 2024		6,767	1,344,617

12. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR YEAR ENDED 30 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%
	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.	
Revenue						
Rendering of services- Medical Service Income				12,576,748		%
Total income	0	0	0	12,576,748		%
Expenses						
Employee Costs				90,160,690		%
Use of Goods and Services				23,494,009		%
Surplus for the Year				113,654,699		%
Capital expenditure						%

Explanation Note

The Hospital did not have separate budget and the expenditure was contained in the approved County Executive budget hence there were no budget figures reported

13. Notes to the Financial Statements

1. General Information

Magutuni Level 4 Hospital entity is established by and derives its authority and accountability from Tharaka Nithi Health Act, 2023. The entity is wholly owned by the Tharaka Nithi County Government and is domiciled in Tharaka Nithi County in Kenya. The entity's principal activity is to provide health services.

2. Statement of Compliance and Basis of Preparation

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

3. Adoption of New and Revised Standards

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2024

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

ii) Early adoption of standards

The hospital did not early – adopt any new or amended standards in the financial year

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

Notes to the Financial Statements (Continued)

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.

Notes to the Financial Statements (Continued)

b. 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)

c. 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.

d. 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.

e. 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

Notes to the Financial Statements (Continued)

for financial assets. The entity 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 cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an 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 xx*.

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)

f. 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.

g. 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)

h. 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.

i. 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.

j. Contingent assets

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

k. Nature and purpose of reserves

The entity does not create and maintain reserves in terms of specific requirements.

l. Changes in accounting policies and estimates

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

Notes to the Financial Statements (Continued)

m. 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 senior managers.

n. 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.

o. 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.

p. Comparative figures

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

Notes to the Financial Statements (Continued)

q. **Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2024.

Notes to the Financial Statements (Continued)

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. 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 the Financial Statements (Continued)

6. In Kind Contribution by the County Government

Description	FY 2023/2024	FY 2022/2023
	KSh	KSh
Salaries and wages	89,379,895	84,091,150
Medical Costs	8,248,748	
General Expenses	9,808,487	
Repairs and Maintenances	369,170	
Acquisition of Assets (PPE)	4,951,100	
Total	112,757,400	84,091,150

7. Rendering Medical Services

Description	FY 2023/24	FY 2022/23
	Ksh.	Ksh.
Hospital Bills	12,579,266	11,962,965
Total	12,579,266	11,962,965

8. Medical / Clinical Costs

Medical related clinical costs	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
Pharmaceutical supplies	0	0
Dressing and Non-Pharmaceuticals	4,523,158	0
X-Ray/Radiology supplies	467,500	0
Laboratory chemicals and reagents	5,228,975	175,166
Food and Ration	3,763,800	7,091,915
Total medical/ clinical costs	13,983,433	7,267,081

9. Employee Cost

Description	FY 2023/24	FY 2022/23
	Ksh.	Ksh.
Salaries and Wages	90,160,700	91,735,790
Total grants in kind	90,160,700	91,735,790

10. Depreciation

Description	FY 2023/24	FY 2022/23
	Ksh.	Ksh.
Depreciation	1,272,404	0
Total	1,272,404	0

Notes to the Financial Statements (Continued)

11. General Expenses

Description	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
Bank charges	0	0
Contracted services	8,817,600	619,828
Electricity expenses	5,834,106	0
Fuel and Lubricants	451,700	0
Printing and stationery	0	0
Water and sewerage costs	109,496	0
Total General Expenses	15,212,902	619,828

12. Medical Services Contracts Gains /Losses

Description	FY 2023/2024	FY 2022/2023
	Ksh	Ksh
Waivers and Exemptions	989,800	-
Total	989,800	-

The hospital excluded the waived amount when computing revenue. The revenue reported is net- after waiver.

13. Transfer to CRF

Description	FY 2023/24	FY 2022/23
	Ksh.	Ksh.
Revenue Transfer	13,918,111	9,236,348
Total	13,918,111	9,236,348

14. Cash and Cash Equivalent

Description	FY 2023/24	FY 2022/23
	Ksh.	Ksh.
Magutuni Hospital Account - a/c 054000011536	3,151	1,344,617
M-pesa Till Number - 284104	3,616	0
Total	6,767	1,344,617

15. Account Receivable from Exchange Transactions

Description	FY 2023/24	FY 2022/23
	Ksh.	Ksh.
National Social Hospital Insurance Fund	1,136,000	1,382,000
Total	1,136,000	1,382,000

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Notes to the Financial Statements (Continued)

16. Property, Plant and Equipment

Description	Buildings	Medical Equipment	Civil Works and Infrastructure	Total
	Ksh.	Ksh.	Ksh.	Ksh.
At 1 st July 2023	44,695,072	0	0	44,695,072
Additions		250,000	4,951,100	4,951,100
At 30 th June 2024	44,695,072	250,000	4,951,100	49,896,172
Depreciation	2.5%	12.5%	2.5%	
At 1 st July 2023	-	-	-	-
Depreciation for the year	1,117,377	31,250	123,777	1,272,404
At 30 th June 2024	1,117,377	31,250	123,777	1,272,404
Net Book Values as At 30 th June 2024	43,577,695	218,750	4,827,323	48,623,768

Notes to the Financial Statements (Continued)

17. Trade and other Payable

Description	FY 2023/2024		FY 2022/2023	
	KShs		KShs	
Trade Payables	22,913,069		7,644,640	
Employee dues	9,147,855		7,886,909	
Total	32,060,924		15,531,549	
Ageing analysis:	FY 2023/2024	FY 2023/2024	FY 2022/2023	% of the total
Under one year	23,083,271	72%	10,132,740	65%
1-2 years	3,321,747	10%	5,223,643	34%
Over 3 years	5,655,906	18%	175,166	1%
Total	32,060,924		15,531,549	

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Notes to the Financial Statements (Continued)

18. 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 hospital's overall risk management programme focuses on the unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The hospital does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The 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 hospital's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the 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
	Ksh.	Ksh.	Ksh.	Ksh.
At 30 June 2023				
Receivables from exchange transactions	1,382,000	1,382,000		
Receivables from –non-exchange transactions	0	0		
Bank balances	1,344,617	1,344,617		
Total	1,345,999	2,726,617		
At 30 June 2024				
Receivables from exchange transactions	1,136,000	1,136,000		
Receivables from –non-exchange transactions	0	0		
Bank balances	3,151	3,151		
Total	1,139,151	1,139,151		

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Notes to the Financial Statements (Continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the hospital has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The board of management sets the hospital's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the hospital's board of management who have built an appropriate liquidity risk management framework for the management of the 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 hospital under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Ksh.	Ksh.	Ksh.	Ksh.
At 30 June 2023				
Trade payables		15,531,549		15,531,549
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
Total		15,531,549		15,531,549
At 30 June 2024				
Trade payables		21,700,026		21,700,026
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
Total		21,700,026		21,700,026

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

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 2023/24	FY 2022/23
	Ksh.	Ksh.
Revaluation reserve		
Retained earnings	(17,968,306)	(13,922,309)
Capital reserve	44,695,072	44,695,072
Total funds	26,726.766	30,772,763
Total borrowings	21,700,026	15,531,549
Less: cash and bank balances	3,151	1,344,617
Net debt/ <i>(excess cash and cash equivalents)</i>	21,696,875	14,186,932
Gearing	81%	46%

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19. 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.

Tharaka Nithi County Government is the principal shareholder of the *entity*, holding 100% of the *entity'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) Key Management

Description	FY 2023/24	FY 2022/23
	Ksh.	Ksh.
Transactions with related parties		
a) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees	90,160,700	91,735,790
Payments for goods and services for	23,494,009	7,886,909
Total	113,654,709	99,622,699

20. Events after the Reporting Period

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

21. Ultimate and Holding Entity

The entity is a State Corporation/ or a Semi- Autonomous Government Agency under the Department of Public Health. Its ultimate parent is the County Government of Tharaka Nithi

22. Currency

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