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REPORT

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ON

KAPENGURIA COUNTY REFERRAL LEVEL 4 HOSPITAL

FOR THE YEAR ENDED 30 JUNE, 2025

COUNTY GOVERNMENT OF WEST POKOT

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Kapenguria County Referral Level 4 Hospital

(West Pokot County Government)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2025

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

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1. Acronyms & Glossary of Terms

CSR	Corporate Social Responsibility
OSHA	Occupational Health & Safety Act
PFMA	Public Financial Management Act
MED SUP	Medical Superintendent
FIF	Facilities Improvement Fund
KCRH	Kapenguria County Referral Hospital
IMCI	Integrated Management of Childhood Illness
OSHA	Occupational Safety and Health Act
NHIF	National Hospital Insurance Fund
ICU	Intensive Care Unit
FY	Financial Year
CPA	Certified Public Accountant
ICPAK	Institute of Certified Public Accountant
PFM	Public Finance Management
Fiduciary Management	Key management personnel who have financial responsibility in KCRH.
NBU	Newborn Unit
MAKL	Medical Administrators Kenya Limited
NGO	Non-Governmental Organization
MTRH	Moi Teaching and Referral Hospital
KEMI	Kenya Education Management Institute
KMTC	Kenya Medical Training College
AIE	Authority to Incur Expenditure
CPSP	Certified Procurement and Supply Professional
AfyaKE	Afya Kenya

HMS	Hospital Management S
IPSAS	International Public Sector Accounting Standards
AMREF	African Medical and Research Foundation
CHAI	Clinton Health Access Initiative
GDF	Global Drug Facility
GOK/MOH	Government of Kenya/Ministry of Health
WPC	West Pokot County
NASCOP	National AIDS and STI Control Programme
PFSCM	Partnership for Supply Chain Management
NCPWD	National Council for Persons with Disabilities
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
KEMSA	Kenya Medical Supplies Authority
WHO	World Health Organization
SHIF	Social Health Insurance Fund
SHA	Social Health Authority

2. Key Entity Information and Management

(a) Background information

Kapenguria County Referral Hospital is a Level 4 facility established in accordance with Section 25 of the Health Act, 2017 (Cap 241) and Kenya Gazette Notice No. 786. It operates under the Health Department of West Pokot County and is managed by a Board of Management.

(b) Principal Activities

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

Vision Statement

A model referral hospital committed to excellence in quality health care provision, Innovation, training and research.

Mission Statement

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

Core Values

Leadership and Integrity
Respect and Dignity
Commitment
Compassion
Professionalism and Excellence

Strategic Goals

Attainment of Highest Standard of Health Care
Continuous Improvement
Institutional resource efficiency and Sustainability

(c) Key Management

The KCRH'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 2025 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Medical Superintendent	Dr. Simon Kapchanga
2.	Accountant	Mr. Ptoo Lokoma
3.	Supply chain and management	Ms. Mercy Chenangat
4.	Hospital Administrator	Mr. Benn Oluoch
5.	Nursing	Ms. Jane Kirop

(e) Fiduciary Oversight Arrangements

i) Audit and Risk Management Committee

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

S/No	Name	Designation
1	Mr. Lonyang Samuel	Chairperson
2	CPA Thomas Pkemoi Lotiaka, CPA	Secretary
3	Ms. Ruth Cheruiyot	Member
4	Mr. Meshack P. Kiptoo	Member
5	Mrs Diana C. Rotich	Member
6	Mr. Philip Ptiso	Member

ii) County Assembly committees

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

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

Key Entity Information and Management (continued)

(f) Entity Headquarters

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

(g) Entity Contacts

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

(h) Entity Bankers

Kenya Commercial Bank
Kapenguria Branch,
P.O. Box 66 - 30600
Kapenguria, Kenya

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

(k) West Pokot County Attorney

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

3. The Board of Management

Serial No.	Name	Details of qualifications and experience
1.	 **Dr. Philip Parklea** ***Master of Medicine in Surgery***	Dr. Philip Parklea is the current chair of the board. Dr. Parklea is an independent board member. He is a Sixty-eight years old and a holder of Master of Medicine in Surgery, Bachelor of Medicine and Bachelor of Surgery, post graduate diploma in Laparoscopic surgery from Indian Institute of Laparoscopic surgery, India, Diploma in Health Systems Management from Galilee College, Israel, Quality Assurance from Makerere University and Certificate in Leadership from London School of Leadership. Dr Parklea served as Deputy Director Clinical services at MTRH. He has over 39 years of experience having served as a Chief Specialist in General Surgery and gastroenterology in MTRH. He also served as a Lecturer of Surgery at Moi University Faculty of Health

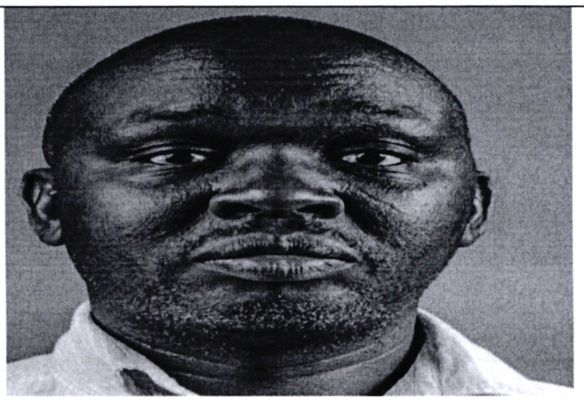
		Sciences. He has been a member of boards of several hospitals and institutions
2.	 **Caroline Cheyech Menach** ***Master's Degree in Education***	Ms. Menach is a teacher by profession and holds Master's Degree in Education, she is 50 Years old and is an independent board member of Kapenguria County Referral Hospital. Ms. Menach is Currently the Principal St. Elizabeth Girls Secondary School, Morpus where she has excelled in school management. Radical changes has been introduced by miss Menach that has seen the school rise in performance over the years. She has also

		provided shelter for Gender Based Violence victims. Ms. Menach has also seen numerous development of infrastructure at the school. Ms. Menach has been Head of department in both St Cecilia Chepareria girls and Kapenguria Boys High School in the period between 2000 and 2010. Ms. Menach is currently the Evecutive Director at Perur Rays of Hope (NGO) and chairperson in Child Protection Network, Member Ortum Mission Hospital and Kenya Secondary School Heads Association Secretary.
3.	 **Mrs Sela Plapan**	Mrs Sela Plapan is the current board member. Mrs Sela is an independent member of the board. Mrs. Sela has Masters in health leadership and management and Masters in Rural Economics and cooperation.

	Masters in health leadership and management and Masters in Rural Economics and cooperation.	Mrs Sela brings in over twenty-three years of experience in management.
4.	 **Priscillah Chemsto Lokwalima** ***Primary Education***	Mrs Priscillah Chemsto Lokwalima She is Current board member. She is a farmer and business person. Mrs Chemsto is 65 years old and brings in over twenty years of experience in management. Mrs Chemsto is an independent member of the board and brings in her vast experience in management from her success in farming business
5.		Mr. Akaule is an independent member of the board and Chair of Several School Board of Management. Mr. Akaule is fifty four years old and has a Diploma in Pharmacy. Mr. Akaule is a member of Kenya Pharmaceutical Association and was awarded Certificate of Merit by Health

	 **Mr. Akaule Joseph Loywat** ***Diploma in Pharmacy***	Workforce and Institutional Excellence Award for Pharmaceutical Technologist, Frontline Award. He has over seven years' experience in health management. He is currently the Managing Director, Kape Health Limited.
6	 **Wiliam Ruto Ngurasia** ***Diploma in Education Management***	Mr. William is a current independent member of the board. He is a P1 teacher having graduated from Kaimosi Teachers Training College. He has been Head Teacher for various schools. Mr. William is 61 years old and brings in a wealth of management skills from the education sector. Mr. William has been a head teacher of various schools for over twenty-six years. Mr. William is a holder of Diploma in Education Management from Kenya

		Educational Management Institute (KEMI) and Certificate in Education from Kaimosi Teachers Training Institute.
7.	 **Dr. Simon Kapchanga** ***Masters of Medicine in Orthopaedics Surgery***	Dr. Simon Kapchanga is the Medical Superintendent and the Secretary to the board but not a member of the Institute of Certified Secretaries. Dr. Kapchanga is 45 years old. He is a holder of Masters of Medicine in Orthopaedics Surgery from Jiamusi University of China and a Bachelor of Medicine and bachelor of Surgery from Wuhan University China.
8.	 **Mr Isaac Rotino** ***Diploma in Public Health and Diploma in Food Science***	Mr Isaac Rotino current board member, He was as public health officer worked in both west Pokot and national Government. Mr. Rotino is 69 years old and a holder of Diploma in Public Health and Diploma in Food Science both from KMTC Nairobi. He has also successfully completed Senior

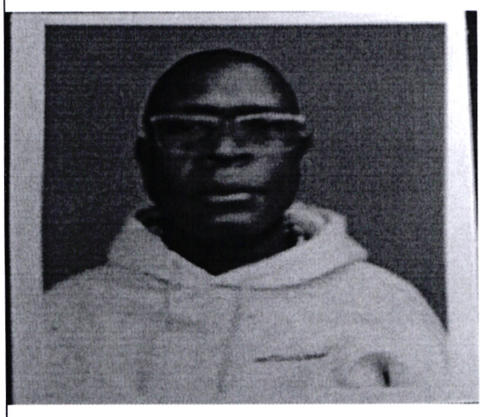
		Management Course at Kenya School of Government Mr. Rotino brings in over sixteen years of experience in health service management. He is an independent member of the board.
9	 **Mr Charles Kamzee Alisoreng** ***Diploma in Nursing***	Mr Charles Kamzee Alisoreng is the current board member. He is an independent member. He is anaesthetic by profession. working at Moi teaching and referral hospital. Mr Charles is 49 years old and a holder of Diploma in Nursing from KMTC Nakuru, National Diploma in Cardiothoracic Nursing from Cairo, Egypt and Higher National Diploma in Anaesthesia from Kijabe College of Health Science, Mr Charles is an independent member of the board who bring in over ten years of experience in health sector

		management. Mr Charles has a lot of passion in theatre services at Kapenguria County Referral Hospital. He pushes for high quality services to patients at all times.

4. Key Management Team

	Management	Details
1.	 Dr Simon Kapchanga ***Masters of Medicine in Orthopaedics Surgery***	Medical Superintendent and AIE holder. He is the Secretary to the board of Management.

2.	 **Jane J. Kirop** ***Bachelor of Science in Nursing***	Nursing Services Manager overseeing nursing services in the facility.
	 **Mr. Ptoo Lokoma** ***Bachelor of B.A (Economics) and CPA (K)***	Mr. Lokoma is the accountant in charge of the Hospital and is in charge of all the finances.

3.		
4.	 **Mr. Benn Oluoch** ***Diploma in Business Management***	He is the Hospital Administrator
5.	 **Ms. Mercy Chenangat** ***CPSP,-K Mercy Chenangat*** ***Bcom Procurement And Supplies Management***	Ms. Mercy is in charge of Procurement in the Hospital

5. Chairman's Statement

It is my honour to present this Chairman's Report for Kapenguria County Referral Hospital Level 4 Hospital, in respect of the financial year ended 30 June 2025. The accompanying Annual Report and Financial Statements have been prepared in compliance with the Public Finance Management framework and in alignment with International Public Sector Accounting Standards (IPSAS).

The 2024/2025 financial year was marked by both challenges and opportunities in the delivery of quality healthcare services at the sub-county level. Rising patient numbers, increased demand for specialized services, and resource constraints required innovative approaches to maintain standards of care. Within this environment, Kapenguria County Referral Hospital Level 4 Hospital continued to pursue its mandate of providing accessible, affordable, and quality health services to the community.

During the 2024/2025 financial year, Kapenguria County Referral Hospital Level 4 Hospital made notable progress in strengthening healthcare delivery to the community. Key activities included the expansion of outpatient and maternal health services, scaling up immunization programs, renovation of wards, theatre and laboratory, and the introduction of new diagnostic equipment to improve efficiency and quality of care. The hospital also undertook the transition from the National Health Insurance Fund (NHIF) to the Social Health Insurance Fund (SHIF), a major policy shift in Kenya's health financing framework, ensuring that patients continued to access benefits without disruption while staff were sensitized on new procedures.

Significant successes were consolidated in maternal and child health, where safe deliveries increased, and outpatient attendance rose. Compliance with the Facility Improvement Financing (FIF) Act was maintained, with strengthened financial controls and prudent resource utilization. Partnerships with the county government and development partners further enhanced service delivery through support in essential medicines and equipment.

Despite these gains, the hospital faced persistent challenges, including inadequate staffing in specialized departments, recurrent shortages of essential drugs, infrastructure constraints due to increased patient load, and delays in both SHIF reimbursements and county disbursements.

Looking ahead, the hospital will focus on consolidating the SHIF transition, expanding infrastructure to address congestion, strengthening supply chain systems to minimise stock-outs, improving staff capacity through training and retention measures, and digitalizing patient records to enhance efficiency. These priorities will ensure the hospital continues to provide accessible, affordable, and quality healthcare to the community.

On behalf of the Hospital Management Committee, I extend appreciation to the County Government, Ministry of Health, donors, partners, and the community for their continued support. I also recognize the dedication of our hospital staff, who, despite challenges, demonstrated resilience and commitment in delivering healthcare services.

The year under review demonstrated the critical role of [Hospital Name] in strengthening primary healthcare at the sub-county level. While resource gaps remain, our achievements reflect the collective effort of stakeholders committed to improving health outcomes. We look forward to continued collaboration in delivering quality, equitable, and sustainable health services.

Respectfully submitted,

.....

Dr. Philp Parklea

Chairperson of the Board

6. Report of The Medical Superintendent

It is my honor to present this report for Kapenguria County Referral Hospital Level 4 Hospital, for the financial year ending 30th June 2025. As the Medical Superintendent, I am pleased to highlight the hospital's operational and financial performance over the year, alongside the critical achievements, challenges, and strategic priorities that shaped our delivery of health services.

This report is presented alongside the Annual Report and Financial Statements, which have been prepared in full compliance with the Public Finance Management (PFM) framework and in alignment with International Public Sector Accounting Standards (IPSAS). These standards continue to guide our commitment to transparent, efficient, and accountable management of public resources, in line with both national and county health priorities.

The 2024/2025 financial year was marked by a complex operational environment. Rising patient numbers, changing disease patterns, and increased demand for specialized healthcare services tested the capacity of our hospital. These demands emerged against the backdrop of constrained financial and human resources. Nonetheless, Kapenguria County Referral Hospital Level 4 remained steadfast in its mandate to deliver accessible, affordable, and quality healthcare to the people of West Pokot County and beyond.

The year also saw a significant policy shift nationally the transition from the National Health Insurance Fund (NHIF) to the Social Health Insurance Fund (SHIF). As a public facility serving a largely rural population, managing this transition required extensive coordination to ensure patients continued accessing services without disruption. Our hospital prioritized stakeholder communication and staff training, which helped facilitate a smooth rollout of SHIF.

Throughout the financial year, our hospital recorded several major achievements in service delivery, infrastructure improvement, and patient outcomes. Outpatient visits grew substantially, driven by improved public confidence in our services and the scaling up of routine consultations. Maternal health indicators also improved significantly. The number of safe deliveries increased,

and antenatal care coverage rose due to community health education, better facility preparedness, and the availability of emergency obstetric services. The hospital's immunization program achieved impressive coverage, thanks to partnerships with community health volunteers and outreach clinics in hard-to-reach areas. Refurbishment of the operating theatre to enhance surgical capacity, Modernization of the laboratory, increasing diagnostic accuracy and turnaround times, Installation of new diagnostic patient monitors, major service to theatre equipment and laboratory machines, leading to improved efficiency and quality of care.

The shift to SHIF was a defining element of the financial year. Our administrative and clinical teams collaborated to update internal procedures, align billing systems, and orient patients to the new framework. Despite some delays in reimbursements, the transition was largely successful, and we continue to work with national agencies to ensure efficiency and timeliness in future disbursements.

The financial performance for the year reflected strong revenue mobilization and responsible spending. While the final budget projected total receipts of approximately Kshs 589.7 million, actual receipts reached over Kshs 664,104,462, representing a 113% increase. This overperformance was driven by In-kind contributions from the County Government (Kshs 480,251,956). Medical services revenue of Kshs 118.7 million, exceeding projections, due to enhanced SHA recruitment and automation of revenue collection, unbudgeted support from donors and development partners (Kshs 65 million)

Expenditure also rose in line with increased service demand. Operational expenses totaled Kshs 642 million against a budgeted Kshs 580 million, while capital expenditure was notably higher than projected, reaching Kshs 15,158,612, compared to a planned Kshs 9 million.

Despite the successes noted, the hospital faced several persistent and emerging challenges, many of which are common in public referral facilities.

A major concern continues to be the shortage of specialized personnel in key departments such as anesthesia, emergency medicine, radiology, and critical care. Overburdened staff have

remained resilient, but the growing patient load underscores the urgent need to recruit, retain, and develop human resources.

Our pharmacy department experienced recurrent stock-outs of essential medicines, often due to delays in procurement and financing disbursements. While development partners stepped in to fill some gaps, we recognize the need for a more robust, agile supply chain model.

While renovations were completed in key areas, the overall hospital space remains inadequate, especially in outpatient and maternity units. The rising number of daily visits, sometimes exceeding capacity, has led to overcrowding and patient flow inefficiencies.

Both county-level disbursements and SHIF reimbursements faced delays, at times affecting service continuity and the hospital's cash flow. Timely release of funds is crucial for sustained delivery of essential services. To address these challenges and build on the progress made, Kapenguria County Referral Hospital will focus to Strengthen SHIF Implementation: Engage further with NHIF/SHIF authorities to streamline claims processing and improve the reliability of health insurance reimbursements,

On behalf of the hospital leadership, I wish to sincerely thank the County Government of West Pokot, the Ministry of Health, our hospital staff-clinical, administrative, and support and all development partners for their unwavering support. Their contribution in terms of financial resources, equipment, technical assistance, and policy guidance has been critical to our performance.

.....

Dr. Simon Kapchanga

Secretary of the Board

7. Statement of Performance Against Predetermined Objectives

Kapenguria County Referral Hospital has 5 pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2021- FY 2025. These strategic pillars/ themes/ issues are as follows:

1. Medical Supplies and Technologies
2. Service Delivery
3. Health Infrastructure
4. Health Financing

In addition to these five strategic pillars, the hospital also focuses on other key priorities, including:

- Preventive and Health Services
- General Administration and Support Services
- Curative and Rehabilitation Health Services

The hospital develops its annual work plans based on these pillars, and performance is assessed quarterly to ensure alignment with the objectives set for each period. This report highlights the achievements made in FY 2024/2025, as outlined in the following performance matrix:

Performance Against Strategic Pillars

Strategic Pillar/Theme	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Leadership and Governance	Ensure proper management of the hospital	Sub-committee meetings minutes in finance, surveillance,	Regular sub-committee meetings and governance reviews	Efficient management of resources, optimal patient care delivery

Strategic Pillar/Theme	Objective	Key Performance Indicators	Activities	Achievements
		advisory, catering, etc.		
Pillar 2: Medical Supplies and Technologies	Ensure timely and proper procurement of medical commodities	Continuous stock taking reports and number of recorded stock shortages	Regular procurement cycles, stock monitoring, and vendor engagement	Consistent supply of medical commodities without stockouts
Pillar 3: Health Financing and Resource Availability	Ensure availability of sufficient financial and material resources	Dates of dispatch of FIF (Facilities Improvement Funds), Percentage of budget utilization	Timely payments to suppliers, timely procurement processes, quick response to emergencies	Reduced pending bills, improved availability of medical supplies and food
Pillar 4: Service Delivery	Ensure effective and efficient services to clients	Number of client complaints, Number of satisfied clients	Efficient service delivery mechanisms, resource management, patient care optimization	Decreased patient complaints, better patient satisfaction levels
Pillar 5: Health Infrastructure	Ensure provision of adequate physical infrastructure	Number of wards, inpatient beds, toilets, walkways walls, and ambulances viz a viz patients admissions	Procurement of new equipment, construction of walls, toilets, walkways, additional wards, acquisition of ambulances	Expanded inpatient capacity, improved service delivery, security, sanitation and mobility

The Kapenguria County Referral Level 4 Hospital successfully met its performance targets for FY 2024/2025 in line with the strategic objectives set out in its annual work plan. Through focused efforts on leadership, procurement, service delivery, infrastructure development, and financial management, the hospital has achieved measurable improvements in patient care, resource availability, and operational efficiency.

As we continue to implement and assess our strategies, we remain committed to enhancing the quality of healthcare services for the community, ensuring that resources are effectively utilized, and maintaining a high standard of service delivery across all areas of operation.

8. Corporate Governance Statement

Kapenguria County Referral Hospital is committed to upholding the highest standards of corporate governance, transparency, and accountability in the management of its affairs. In line with the provisions of Part VI of the Health Act, 2017, the Hospital Management Board executes its functions to ensure effective oversight, strategic direction, and ethical leadership within the institution

Upon appointment, all board members were inducted in March 2023. The induction included orientation on the hospital's structure, key responsibilities of the board, relevant legislative frameworks including the Health Act, 2017 and West Pokot Facilities Improvement Fund 2019, and the operational framework within the county health system.

However, no formal training or development programs have been sponsored for board members during the reporting period due to financial constraints. The board acknowledges the importance of continuous professional development and will pursue opportunities for capacity building in the future, subject to availability of funds.

Board performance is currently measured solely by attendance to board meetings. Although this is a limited metric, it provides a basic indicator of member commitment and participation. The attendance record and corresponding performance ratings for the financial year are as follows:

Member Name	**Meetings Attended (Out of 7**	**Performance (%)**
Dr. Phillip Parklea	7	100%
Caroline Cheyech Menach	5	71%
Mrs. Sela Plapan	5	71%

Priscillah Chemsto Lokwalima	7	100%
Mr. Akaule Joseph Loywat	6	86%
William Ruto Ngurasia	7	100%
Dr. Simon Kapchanga	7	100%
Mr. Isaac Rotino	7	100%
Mr. Charles Kamzee Alisoreng	6	86%

A total of seven (7) board meetings were held during the year under review.

The Medical Superintendent of Kapenguria County Referral Hospital serves as the Secretary to the Board by default. This ensures institutional memory and continuity in leadership. Upon expiry of the board's term, the Medical Superintendent facilitates smooth onboarding and transition for new members, thereby supporting a well-structured succession plan and continuity in governance.

The board recognizes and adheres to the provisions of the Conflict-of-Interest Act No. 11 of 2025. Board members are expected to disclose any real, potential, or perceived conflicts of interest prior to deliberations or decision-making processes. The board is committed to fostering transparency and integrity in all its dealings.

In line with national guidelines, board members do not receive a salary. However, they are entitled to sitting allowances as determined and advised by the Salaries and Remuneration Commission. This policy ensures accountability while also compensating members for their service.

The Board is guided by Chapter Six of the Constitution of Kenya, which outlines principles of Leadership and Integrity. Members are expected to act with honesty,

objectivity, accountability, and in the public interest. These standards are fundamental in ensuring that the hospital is governed in a way that promotes public trust and service excellence.

The hospital has undergone internal and external audits, conducted by the West Pokot County Internal Audit Department and the Office of the Auditor General, respectively. These audits included aspects of governance. All issues raised in the audit reports have been addressed and resolved in compliance with audit recommendations. The hospital remains committed to continuous improvement in governance practices.

There is no formal communication policy currently in place. However, the Board Chairperson serves as the official spokesperson of the board. In the Chairperson's absence, the Vice Chairperson assumes the communication responsibilities. The board recognizes the need for a structured communication framework and is exploring options for developing a comprehensive policy.

While the Board was appointed through Gazette Notice and serves under the framework of the Health Act, 2017, specific board committees and their respective Terms of Reference are yet to be formally developed and adopted. Establishing committees with clear will enhance focus, efficiency, and oversight within specific governance areas.

Currently, no policy exists on related party transactions. The board acknowledges this as a governance gap and has prioritized the development of a policy framework to manage and monitor related party dealings in future. This will help mitigate conflicts of interest and ensure transparency in all transactions involving board members or their affiliates.

Kapenguria County Referral Hospital is on a steady path toward strengthening its corporate governance structures. While the board has made progress in compliance, attendance, and ethical leadership, key areas such as training, policy development, and communication still require focused attention. The board remains committed to addressing these gaps in alignment with national laws and best practices in healthcare governance.

9. Management Discussion and Analysis

Kapenguria County Referral Hospital, a critical health institution serving the West Pokot region and its environs, has a bed capacity of 178, indicating its current inpatient accommodation capability. This capacity reflects the hospital's scale of operations, preparedness for admitting patients, and ability to provide prolonged inpatient care. The facility continues to offer essential medical services despite various infrastructural and operational challenges.

In the 2024/2025 reporting period, the hospital recorded a total outpatient attendance of 57,679 patients. This figure demonstrates the hospital's significant role in providing primary health consultations, diagnostics, and follow-up care without the need for admission. The high outpatient numbers are indicative of increased public trust in the facility and a growing demand for services, especially in general medicine, maternal-child health, and chronic disease management.

Additionally, inpatient admissions totalled 11,735 during the same period. This number includes patients admitted for medical, surgical, maternity, and other specialist inpatient care services. When analysed alongside the hospital's bed capacity, these figures provide valuable insight into resource utilization and operational pressure on staff and wards. The volume also suggests a consistent flow of patients needing extended medical attention beyond routine outpatient care.

Despite the increasing demand for emergency services across the country, the Accident and Emergency unit remains non-operational at Kapenguria County Referral Hospital. This gap poses a significant limitation on the hospital's ability to handle trauma, accidents, and urgent medical emergencies, often forcing patients to seek alternative facilities or travel long distances during critical situations. Operationalizing this department is essential for improving emergency response capacity and saving lives.

Beyond general outpatient services, the hospital is also a hub for specialized healthcare. The specialized clinic attendance reached 25,581 during the reporting year. These clinics

typically include chronic disease management (e.g., diabetes, hypertension), Human Immunodeficiency Virus care, cancer screening, antenatal care, and paediatric follow-ups. The substantial attendance at specialized clinics highlights the increasing burden of non-communicable diseases and complex conditions that require long-term and focused care. It also reflects the hospital's efforts to decentralize specialized services closer to communities that previously had limited access.

The average length of stay for admitted patients was reported at 5.6 days. This metric represents the average number of days each patient remains admitted in the hospital before discharge or referral. Average length of stay is influenced by the nature of conditions treated, efficiency of care, patient recovery time, and discharge processes. An average length of stay of 5.6 days falls within a reasonable range for a referral hospital in a rural setting, suggesting that most patients receive adequate treatment without unnecessarily prolonged stays. However, further clinical audits would be required to ensure that length of stay aligns with quality outcomes and efficient resource use.

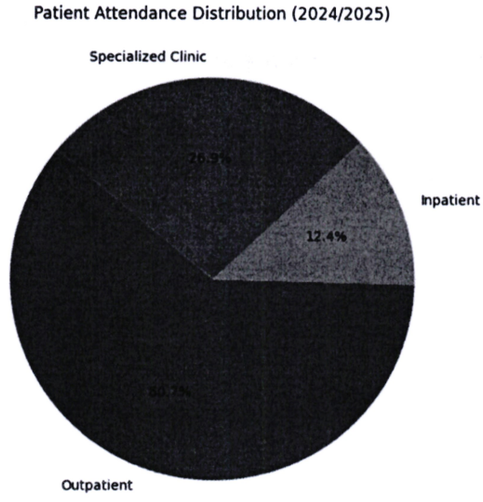
The bed occupancy rate stood at 92.3%, an indicator of how well the available beds were utilized throughout the year. A high occupancy rate like this reflects strong demand for inpatient care and efficient bed turnover. However, rates consistently above 85% may strain hospital operations, as they allow limited flexibility for accommodating emergency admissions or managing disease outbreaks. In the case of Kapenguria Hospital, this high utilization points to both its central role in the health system and the pressing need to expand physical infrastructure and workforce to meet demand.

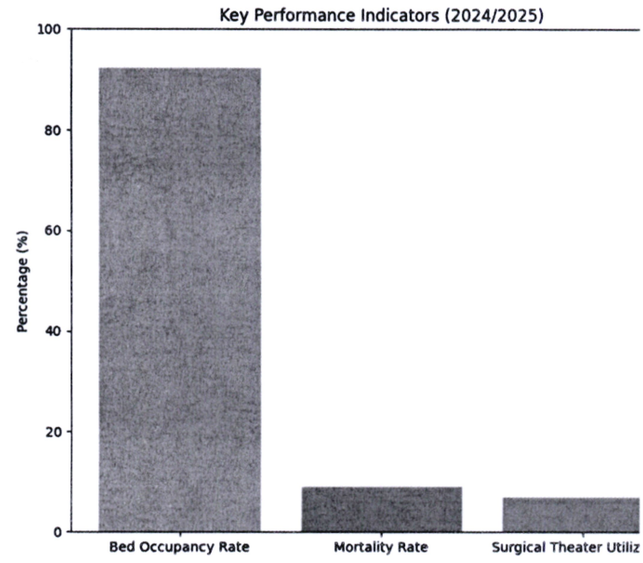
Among the hospital's performance indicators, the mortality rate was recorded at 9%. Mortality rate refers to the proportion of admitted patients who died during their stay in the facility. While some deaths may be unavoidable due to the severity of conditions presented, a mortality rate of 9% is moderately high and warrants careful review. Contributing factors include late presentation of patients, inadequate emergency services, limited intensive care facilities, or shortages in specialized medical personnel and equipment. It is essential that the hospital management, together with the County Health

Department, investigate this rate through mortality audits and implement continuous quality improvement measures to reduce preventable deaths.

Another key service utilization metric is the surgical theatre utilization rate, which was recorded at 6.9%. This figure reflects the proportion of time that the surgical theatre was in active use compared to its total available operating hours. A rate below 10% is considered quite low for a referral hospital. This underutilization stem from a number of factors including lack of enough qualified surgical staff, irregular supply of surgical consumables, outdated equipment, or policy-level delays in elective procedures. It also ties back to the earlier noted issue of a non-operational emergency unit, as trauma and emergency surgeries would typically increase surgical load. Improving theatre scheduling, staffing, and infrastructure would significantly enhance service delivery.

In conclusion, the 2024/2025 performance data for Kapenguria County Referral Hospital presents a mixed picture. The hospital demonstrates strong patient uptake, especially in outpatient and specialized services, and effective inpatient management reflected in its high bed occupancy. However, the institution faces challenges in areas such as emergency care, surgical services, and mortality reduction. Strategic investment in infrastructure, capacity building, and quality assurance will be crucial in moving the hospital toward higher levels of efficiency, safety, and patient satisfaction.





Financial performance that includes

Kapenguria County Referral Hospital Level 4 Hospital began the year with a budget carryover of Kshs 5,299,499. Total receipts for the year were budgeted at Kshs 589.67 million, primarily from in-kind contributions (Kshs 482.2 million) and medical service income (Kshs 102.16 million). However, actual receipts far exceeded expectations, totaling Kshs 664,104,462, leading to an over-performance of Kshs 74,439,215. This was driven by significant Grants and donations from the Development Partners (Kshs 65,088,102), which was not budgeted.

On the expenditure side, operational payments were budgeted at Kshs 580.66 million, but actual spending reached Kshs 642.09 million, an over-expenditure of Kshs 61.43 million (111%). The key drivers of overspending included:

Medical/Clinical Costs, which more than doubled the budget at 218% utilization (Kshs 176.8 million spent vs. Kshs 81.05 million budgeted).

Grants and subsidies, which saw a 487% utilization (Kshs 31.77 million actual vs. Kshs 6.53 million budgeted).

General expenses slightly exceeded budget at 107% utilization.

Some categories were underspent, notably repairs and maintenance, with only 16% utilization (Kshs 11.6 million spent vs. Kshs 72.6 million budgeted), and remuneration of directors, which came in slightly under budget.

A major variance occurred in capital expenditure, where actuals reached Kshs 15,158,612 against a modest budget of Kshs 9 million, reflecting a 168% utilization and an overspend of Kshs 6,149,113.

Overall, despite the budgeted break-even (zero surplus), the organization reported a surplus of Kshs 6.86 million, primarily due to higher-than-expected receipts, although this was offset by notable overspending in several expenditure categories.

10. Environmental And Sustainability Reporting

i) Sustainability Strategy and Profile

Kapenguria County Referral Hospital is dedicated to protecting the rights and welfare of patients, staff, and the public by ensuring ethical service delivery and a safe healthcare environment. The hospital complies with the Occupational Safety and Health Act (OSHA), implements infection control measures, and runs vaccination programs for staff. Transparency is promoted through clearly displayed service charters and accessible health education materials. A structured complaints and feedback mechanism ensures that concerns are addressed promptly, while patient data is securely managed in line with the Data Protection Act. Though it does not offer civic registration services, the hospital supports patients in accessing necessary documentation and legal referrals. Ongoing efforts to align with the Whistleblower Protection Act further reflect the hospital's commitment to accountability and patient-centered care.

ii) Environmental Performance

Kapenguria County Referral Hospital operates under a growing commitment to environmental sustainability, guided by national laws and global environmental goals, including the Sustainable Development Goals Particularly Sustainable Development Goals 3 (Good Health and Wellbeing), Sustainable Development Goals 6 (Clean Water and Sanitation), and Sustainable Development Goals 13 (Climate Action). The hospital has implemented measures to reduce its environmental footprint through effective waste management and resource efficiency initiatives. Key successes include the installation of a hospital grade washing machine, which has significantly improved hygiene while conserving water and energy, and the provision of color-coded waste bins for segregation of general, infectious, and sharps waste across all departments. The hospital promotes "reduce, reuse, and recycle" practices and uses approved disposal methods such as incineration for biomedical waste and contracted safe disposal for non-recyclables. To reduce its carbon footprint, the hospital has shifted toward paperless operations, adopting electronic patient record systems.

iii) Employee Welfare

Kapenguria County Referral Hospital places a strong emphasis on employee welfare as a cornerstone of its operational success, fostering a supportive, safe, and enabling work environment that enhances staff well-being, motivation, and productivity. In the 2024/2025 financial year, under the guidance of the County Public Service Board and the Human Resource Department, the hospital implemented several key initiatives to improve staff welfare. These included comprehensive medical insurance for all employees and their dependents, ensuring access to quality healthcare and reducing financial stress. Continuous professional development was prioritized through internal training and external courses at the Kenya School of Government, aimed at enhancing technical skills and aligning staff competencies with evolving healthcare demands. Additionally, workplace efficiency was improved through investment in modern office furniture, computers, and accessories. To promote accountability and excellence, the hospital strengthened its performance management system by adopting a Result-Based Management framework and updated appraisal tools, with top-performing staff receiving recognition through commendation letters and other incentives.

iv) Market place Practices

a) Responsible Competition

Kapenguria County Referral Hospital is committed to upholding responsible competition and ethical service delivery practices. The hospital ensures fair competition by strictly adhering to the Public Procurement and Asset Disposal Act, 2015, conducting all procurements through open tendering processes to guarantee transparency and equal opportunity for all qualified suppliers. The evaluation of bids is done independently, based on merit, and free from external influence. To combat corruption, the hospital follows the guidelines of Chapter Six of the Constitution and promotes a culture of integrity through regular staff sensitization. An anti-corruption reporting mechanism is in place, including confidential complaint channels for whistleblowers. Politically, the hospital remains neutral and non-partisan, ensuring that all services are provided equitably, without bias or political interference. To enhance service delivery, the hospital has implemented a visible and up-to-date Service Charter, clearly outlining available services, costs, turnaround

times, and patient rights. Cashless payment systems such as mobile money are used to improve transparency and reduce handling of physical cash.

b) Responsible Supply Chain and Supplier Relations

Kapenguria County Referral Hospital upholds ethical, transparent, and accountable business practices in its dealings with suppliers, recognizing the critical role of responsible supplier relationships in ensuring quality healthcare. All procurement processes comply with the Public Procurement and Asset Disposal Act, 2015, with contracts executed based on clear terms to ensure legal compliance and timely service delivery. The hospital follows open and competitive tendering, using platforms like the PPRA portal, and conducts market surveys to ensure fairness and value for money. Bid evaluations are carried out objectively by a technical team, while communication with suppliers remains professional and timely. Payments are processed promptly upon verification, and any unavoidable delays are communicated transparently. Regular supplier feedback and performance reviews are conducted to improve efficiency and maintain strong, trust-based partnerships.

c) Responsible marketing and advertisement or Responsible engagement with citizens

Kapenguria County Referral Hospital upholds ethical, transparent, and accountable business practices in all dealings with suppliers, contractors, and service providers, recognizing that responsible supplier relationships are crucial to sustainable healthcare delivery. The hospital strictly adheres to the Public Procurement and Asset Disposal Act, 2015, ensuring open, competitive procurement processes and clear, legally binding contracts. Supplier engagement is conducted professionally, with fair evaluation procedures, timely communication, and respect for contract terms. Payment processes are prompt and follow a multi-level validation system, with open communication in case of delays. The hospital values supplier feedback and regularly reviews performance to strengthen partnerships and improve efficiency. These practices ensure reliable access to quality goods and services while fostering trust and accountability.

d) Product stewardship or Awareness Creation

Kapenguria County Referral Hospital is committed to upholding the rights, safety, and dignity of patients, staff, and the public through ethical and transparent service delivery. The hospital adheres to the Occupational Safety and Health Act (OSHA) and clinical safety protocols, including staff vaccination, infection control, and waste management. It promotes awareness through visible service charters and health education materials, ensuring patients understand their rights and available services. A functional complaints and feedback system enables prompt resolution of grievances, while data privacy is safeguarded under the Data Protection Act and county ICT policies. Although it does not manage civic registration, the hospital facilitates access to essential services and legal documentation, especially for vulnerable patients. Efforts are ongoing to align with the Whistleblower Protection Act, reinforcing a culture of accountability and trust.

v) Corporate Social Responsibility (CSR)

Kapenguria County Referral Hospital also engages in valuable medical partnerships that support specialized services and community outreach. One key collaboration is with the Saving Mothers organization, which facilitates free medical camps focused on gynecological and obstetric care. These camps improve access to quality reproductive health services for vulnerable populations, particularly women in remote areas.

The hospital also collaborates with Kijabe Hospital and its partner organization BethanyKids a well-known center for pediatric disability care. Through this partnership, Kapenguria offers free specialized medical services for children with hydrocephalus, spina bifida, and other disabilities. Services include orthopedic surgeries, prosthetics, and rehabilitation. With the support of these organizations, children in the Kapenguria community who may otherwise have gone untreated receive life-changing interventions at no cost. These partnerships reflect the hospital's strong commitment to inclusive healthcare and community empowerment.

11. Report of The Board of Management

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

Principal activities

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

Results

The results of the KCRH for the year ended June 30 2025 are set out on pages 1 to 8.

Board of Management

The members of the Board who served during the year are shown on page vi to x.

Auditors

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

By Order of the Board

.....

Dr. Simon Kapchanga

Secretary to the Board

12. Statement of Board of Management's Responsibilities

Section 164 of the Public Finance Management Act, 2012 and Section 23 (a) of Facilities Improvement Financing Act, 2023 requires the Board of Management to prepare financial statements in respect of that *KCRH*, which give a true and fair view of the state of affairs of the *KCRH* at the end of the financial year/period and the operating results of the *KCRH* for that year/period. The Board of Management is also required to ensure that the KCRH keeps proper accounting records which disclose with reasonable accuracy the financial position of the *KCRH*. The council members are also responsible for safeguarding the assets of the *KCRH*

The Board of Management is responsible for the preparation and presentation of the *KCRH's* financial statements, which give a true and fair view of the state of affairs of the *KCRH* for and as at the end of the financial year (period) ended on June 30, 2025. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the *KCRH*; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

The Board of Management accepts responsibility for the *KCRH's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and *Facility Improvement Fund Act 2023)*. The Board members are of the opinion that the *KCRH's* financial statements give a true and fair view of the state of *KCRH's* transactions during the financial year ended June 30, 2025 and of the *KCRH's* financial position as at

that date. The Board members further confirm the completeness of the accounting records maintained for the *KCRH* which have been relied upon in the preparation of the *KCRH's* financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Hospital's financial statements were approved by the Board on 02/10/2025 and signed on its behalf by:

.....	.....
Name: Dr. Philip Parklea	**Name: Dr. Simon Kapchanga**
Chairperson	**Accounting Officer**
Board of Management	

REPUBLIC OF KENYA

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Email: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KAPENGURIA COUNTY REFERRAL LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2025 – COUNTY GOVERNMENT OF WEST POKOT

PREAMBLE

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

A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;

B. Report on the Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,

C. Report on the 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 Kapenguria County Referral Hospital – County Government of West Pokot set out on pages 1 to 63, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kapenguria County Referral Hospital as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Kenya Gazette Notice No. 786, 2020 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in the Statement of Changes in Net Assets

The statement of changes in net assets reflects a surplus for the year amount of Kshs.25,540,324. However, the statement of financial performance reflects the surplus amount of Kshs.15,937,695 resulting in an unreconciled variance of Kshs.9,602,629. Further, the statement reflects receipts of capital grants in-kind amounting to Kshs.262,479,867 which have been included in the accumulated surplus instead of in the capital fund balance.

In the circumstances, the accuracy and completeness of the statement of changes in net assets could not be confirmed.

2. Inaccuracies in the Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects actual receipts from rendering of services amount of Kshs.118,764,404 while the statement of financial performance reflects an amount of Kshs.152,264,971 on the same item resulting in an unreconciled variance of Kshs.33,500,567. Further, the statement reflects total receipts budget performance difference of negative Kshs.484,502,591. However, re-computation revealed a difference of negative Kshs.64,836,587 resulting in an unreconciled variance of Kshs.419,666,004.

In the circumstances, the accuracy and completeness of the statement of comparison of budget and actual amounts could not be confirmed.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the effects of the 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

The following issues raised by the Auditor-General in the previous audit reports remain unresolved;

1. Inaccuracy of Property, Plant and Equipment Balance
2. Anomalies in Medical Equipment Services (MES)
3. Deficiencies in Implementation of Universal Health Coverage
4. Incomplete Asset Register
5. Weaknesses in Check Health Information System (CHIS)
6. Weaknesses in Information and Communication Technology Control Environment
7. Inventory Management Control Weaknesses

Other Information

The Management are responsible for the Other Information set out on page iv to xli 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's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on the Lawfulness and Effectiveness in Use of Public Resources section of my report, I

confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Lack of Approved Annual Operational Budget

During the financial year under review, the Hospital operated without an approved annual operational budget to guide its expenditure. Management did not provide any evidence, such as submission receipts or correspondence, to confirm that the Hospital's annual work plans and budget were submitted to the County Executive Committee Member for Finance for consolidation into the County budget. This was contrary to Regulation 31(8) of the Public Finance Management (County Governments) Regulations, 2015, which provides that budget estimates of a county government entities shall be reviewed and consolidated and the annual budget estimates submitted to the County Assembly, by April the 30th every year.

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

2. Delayed Completion of the Construction of a Modern Mortuary

Review of contract documents revealed that the Department of Health and Sanitation contracted a local contractor for the construction of a modern mortuary at Kapenguria Referral Hospital at a contract sum of Kshs.14,356,156 on 4 April, 2024. The contract period was one hundred and eighty (180) days with an expected completion date of 5 October, 2024. By the time of audit, the contractor had been paid an amount of Kshs.6,855,607. Physical verification on 12 June, 2025 revealed that the project was incomplete eight (8) months since the lapse of the contract period.

In the circumstances, the value for money on expenditure of Kshs.6,855,607 incurred on the project could not be confirmed.

3. Mis-Management of Facility Improvement Financing (FIF) Designated Bank Accounts

Review of documents revealed that Management transferred a total of Kshs.12,344,000 to the West Pokot County Revenue Fund Account. This was contrary to Section 5 of the Facility Improvement Financing Act, 2023, which requires that all monies received by a public health facility to be deposited into and retained in its own designated FIF account.

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

4. Non-Compliance with the Law on Ethnic Composition

Review of human resource records revealed that out of two hundred and fifty-four (254) employees, one hundred and twenty-seven (127) were from the dominant ethnic community which is approximately 50% of the staff. This was contrary to Section 7(1) of the National Cohesion and Integration Act, 2008, which stipulates that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of its staff from the same ethnic community.

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

5. Inadequate Resources at the Hospital

Review of the Hospital's resources revealed that the facility infrastructure lacked essential clinical equipment including endoscopy, laparoscopy, and colonoscopy units; critical diagnostic equipment such as MRI and CT scanners; and an adequate number of defibrillators, with only one available instead of the required three. The diagnostic unit also completely lacked pathology services. Similarly, review of personnel records identified a significant staffing imbalance, with a net shortage of 241 staff and an excess of 64 staff in various cadres. **Refer to Appendices 1 and 2.**

These critical resource gaps severely compromise clinical capabilities, leading to high risks of poor diagnostic accuracy, delayed treatment, compromised patient safety and overall weak health system performance.

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

6. Non-Remittance of Public Procurement Capacity Building Levy

Review of documents revealed that Management did not deduct and remit the public procurement capacity building levy. This was contrary to Paragraph 3(1) of Legal Notice 206 of the Levy Order 2023 which provides that there shall be paid a levy by a supplier on all procurement contracts signed between the supplier and a procuring entity, at the rate of zero point zero three per centum (0.03%) of the value of the signed contract, exclusive of applicable taxes.

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

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

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

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on 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. Ineffectiveness in Management of Social Health Insurance

Review of the Hospital's Social Health Authority (SHA) records revealed that out of the four thousand, six hundred and ninety-three (4,693) claims totalling Kshs.87,820,119

submitted for reimbursement, sixteen (16) claims amounting to Kshs.1,134,850 were rejected due to administrative errors such as invalid patient details, lack of supporting documentation such as theatre notes, diagnostic reports and claims submitted without required pre-authorization. This was contrary to Section 36(1) of The Social Health Insurance Act, 2023, which governs the settlement of claims and Regulation 57(2) of the Social Health Insurance Regulations, 2024 which outlines the requirements for valid claims.

In the circumstances, the effectiveness in the management of claims for Social Health Authority insurances could not be confirmed.

2. Use of Hazardous Asbestos Tiles on Roofing

Physical verification of the Hospital facilities conducted in the month of June, 2025 revealed several building structures, including patient wards and service blocks whose roofs were made of asbestos tiles. This was Contrary to the Environmental Management and Coordination (Waste Management) Regulations, 2006, which classify asbestos as hazardous waste.

In the circumstances, the continued use of asbestos exposes patients and staff to its carcinogenic and other occupational diseases.

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

Responsibilities of the Management and those Charged with Governance

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

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

19 November, 2025

Appendix 1: Inadequate Facility Resourcing - Under-Staffing

Category	Required Staff Level	Current Staff Level	Under-Staffing
Medical Officers and Specialists			
Anesthesiologists	2	0	2
Neonatologist	1	0	1
Nephrologist	1	0	1
Neurologist	1	0	1
Optometrist	1	0	1
Dermatologist	1	0	1
Pediatricians	2	1	1
Pathologist	1	0	1
Psychiatrists	2	0	2
Radiologists	2	0	2
Clinical Officers			
General Clinical Officers	30	18	12
Graduate Clinical Officers	14	0	14
Clinical Officers – Lung & Skin	4	1	3
Ophthalmology or Cataract Surgeons	4	2	2
Clinical Officers – Pediatrics	2	1	1
Clinical Officers – Reproductive Health	2	0	2
Clinical Officer – Dermatology/Venereology	1	0	1
Clinical Officer – Psychiatry/Mental Health	1	0	1
Clinical Officer – Oncology/Palliative Care	1	0	1
Nursing Staff			
BScN Nurses	40	25	15
Kenya Registered Nurses – Mental Health & Psychiatry	6	2	4
Oncology Nurses	5	0	5
Pediatric Nurses	10	5	5
Pediatric ICU Nurses	5	0	5
Palliative Care Nurses	5	0	5
Psychiatry/Mental Health Nurses	6	2	4
Sign Language Staff	1	0	1
Theatre Nurses	20	1	19
Anaesthetist Nurses	10	0	10
Accident & Emergency Nurses	5	2	3
ICU Nurses	16	4	12
Renal Nurses	10	4	6
Forensic Nurses	4	0	4

Category	Required Staff Level	Current Staff Level	Under-Staffing
Medical Officers and Specialists			
Neonatal Nurses	5	0	5
Kenya Registered Psychiatric Nurses (KRPN)	4	0	4
Registered Midwives	10	1	9
Pharmaceutical Staff			
Pharmacists	4	3	1
Clinical Pharmacists	2	0	2
Rehabilitative and Allied Health Professionals			
Orthopedic Technologists	3	2	1
Specialized Physiotherapists	2	0	2
Occupational Therapists	10	3	7
Dental Staff			
Dental Officers	4	3	1
Oral & Maxillofacial Surgeon	1	0	1
Pediatric Dentists	2	0	2
Dental Technologists	6	2	4
Imaging and Radiography Staff			
General Radiographers	6	3	3
Nutrition and Dietetics Staff			
Nutrition and Dietetic Officers	10	8	2
Nutrition and Dietetic Technologists	8	7	1
Nutrition and Dietetic Technicians	2	0	2
Cateresses	2	1	1
Health Promotion and Social Services			
Health Promotion Officers	4	0	4
Administrative and Support Staff			
Human Resource Management Officers	2	1	1
Supply Chain Assistants	4	2	2
Supply Chain Officers	2	1	1
Laboratory and Public Health			
Medical Laboratory Technologists	40	16	24
Public Health Officers	4	3	1
Support Services			
Cooks	10	8	2
Drivers	12	6	6
Mortuary Attendants	6	2	4
	381	**140**	**241**

Appendix 2: Excess Facility Resourcing - Excess Staffing

Medical Officers and Specialists	Required Staff Level	Current Staff Level	Excess Staff
Resident Medical Officers	16	23	7
Obstetrician/Gynecologists	2	3	1
Clinical Officers			
Clinical Officer – Anaesthetists	6	9	3
Nursing Staff			
Kenya Registered Community Health Nurses	75	99	24
Kenya Enrolled Nurses	6	30	24
Ophthalmic Nurses	4	6	2
Pharmaceutical Staff			
Pharmaceutical Technologists	8	13	5
	117	**183**	**66**

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

Description	Note	FY 2024-2025	FY 2023-2024
		Kshs	Kshs
Revenue from non-exchange transactions			
In- kind contributions from the County Government	6	476,575,327	526,584,781
Grants from donors and development partners	7	59,162,102	34,237,080
		535,737,429	**560,821,861**
Revenue from exchange transactions			
Rendering of services- Medical Service Income	8	152,264,971	106,109,641
Revenue from exchange transactions		**152,264,971**	**106,109,641**
Total revenue		**688,002,400**	**666,931,502**
Expenses			
Medical/Clinical costs	9	177,216,225	146,892,466
Employee costs	10	399,156,220	448,302,226
Board of Management Expenses	11	737,500	980,880
Depreciation and amortization expense	12	24,827,243	-
Repairs and maintenance	13	13,030,097	8,682,480
Grants and subsidies	14	31,773,087	31,235,797
General expenses	15	25,324,334	18,788,469
Total expenses		**672,064,705**	**654,882,318**
Net Surplus / (Deficit) for the year		**15,937,695**	**12,049,184**

(The notes set out on pages 10 to 51 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 02/10/2025 and signed on its behalf:

.....	.....	.....
Chairman	**Head of Finance**	**Medical Superintendent**
Board of Management	**ICPAK No: 18976**	

15. Statement of Financial Position as at 30th June 2025

Description	Note	FY 2024-2025	FY 2023-2024
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	16	12,605,614	5,747,369
Prepayments	17	199,302	-
Receivables from exchange transactions	18	57,331,427	19,048,292
Receivables from non-exchange transactions	19	1,956,292	6,738,860
Inventories	20	23,723,603	21,604,826
Total Current Assets		**95,816,238**	**53,139,347**
Non-current assets			
Property, plant, and equipment	21	265,105,651	5,372,300
Total Non-current Assets		**265,105,651**	**5,372,300**
Total assets (A)		**360,921,889**	**58,511,647**
Liabilities			
Current liabilities			
Trade and other payables	22	23,992,679	-
Refundable deposits from Patients/Prepayments	23	-	-
Total Current Liabilities		**23,992,679**	**-**

Non-current liabilities			
Provisions		-	-
Total non-current liabilities		-	-
Total Liabilities (B)		**23,992,679**	-
Net assets (A-B)		**336,929,210**	**58,511,647**
Represented by:			
Revaluation reserve		-	-
Accumulated surplus/Deficit		336,929,210	58,511,647
Capital Fund		-	-
Net Assets		**336,929,210**	**58,511,647**

(The notes set out on pages 10 to 51 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 02/10/2026 and signed on its behalf by:

.....	.....	.....
Chairman	**Head of Finance**	**Medical Superintendent**
Board of Management	**ICPAK No: 18976**	

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

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2024 (previous year)	**0**	**46,462,463**	**-**	**46,462,463**
Revaluation gain	0	-	-	-
Surplus/*(deficit)* for the year	0	12,049,184	-	**12,049,184**
Capital/Development grants	0	-	-	-
As at June 30, 2024 (previous year)	**-**	**58,511,647**	**-**	**58,511,647**
At July 1, 2024 (current year)	**0**	**58,511,647**	**-**	**58,511,647**
Revaluation gain	0	-	-	-
Surplus/(deficit) for the year	0	25,540,324	-	**324,998,069**
Capital/Development grants	0	262,479,867	-	-
At June 30, 2025 (current year)	**-**	**346,531,839**	**-**	**383,509,716**

The statement of changes in net assets includes Kshs 262,479,867, for the first time, Property, Plant, and Equipment (PPE) recognized as in-kind contributions from the County Government, classified as capital in nature. Management has identified and recognized assets received after devolution, where their value can be reliably measured. The Net Book Value of these PPEs as of 30 June 2024 has been included as new additions, disclosed in Note 21 to these financial statements.

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

Description	Note	FY 2024-2025	FY 2023-2024
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
In- kind contributions from the County Government		476,575,327	526,584,781
Grants from donors and development partners		59,162,102	34,237,080
Rendering of services- Medical Service Income		118,764,404	106,870,938
Refundable deposits from Patients/Prepayments		(199,302)	
Total Receipts		**654,302,531**	**667,692,799**
Payments			
Medical/Clinical costs		167,199,283	168,497,292
Employee costs		399,156,220	448,302,226
Board of Management Expenses		737,500	980,880
Repairs and maintenance		11,602,959	8,682,480
Grants and subsidies		31,773,087	31,235,797
General expenses		21,816,626	18,788,469

Total Payments		**632,285,674**	**676,487,144**
Net cash flows from operating activities	**24**	**22,016,857**	**(8,794,345)**
Cash flows from investing activities		0	
Purchase of property, plant, equipment		(15,158,612)	(5,372,300)
Purchase of intangible assets		-	-
Proceeds from the sale of PPE		-	-
Acquisition of investments		-	-
Net cash flows used in investing activities		**(15,158,612)**	**(5,372,300)**
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Capital grants received		-	-
Net cash flows used in financing activities		**-**	**-**
Net increase/(decrease) in cash and cash equivalents		**6,858,245**	**(14,166,645)**
Cash and cash equivalents as at 1 July 2024	**17**	5,747,369	19,914,014
Cash and cash equivalents as at 30 June 2025	**17**	**12,605,614**	**5,747,369**

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget carryovers from the previous year	5,299,499.00		5,299,499.0	-	5,299,499	0
Receipts	-		-		-	
In- kind contributions from the County Government	482,208,248		482,208,247.7	476,575,327	1,956,292	99
Grants from donors and development partners	-		-	59,162,102	(65,088,102)	#DIV/0!
Rendering of services- Medical Service Income	102,157,500		102,157,500.0	118,764,404	(426,670,280)	116
Total receipts	**589,665,247**		**589,665,246.7**	**654,501,833**	**(484,502,591)**	111
Payments						
Medical/Clinical costs	81,052,028		81,052,028.0	167,199,283	(95,749,884)	206
Employee costs	399,156,220		399,156,219.7	399,156,220	-	100

Remuneration of directors	797,500		797,500.0	737,500	60,000	92
Depreciation and Amortization Expense	-		-	-	-	#DIV/0!
Repairs and maintenance	72,620,200		72,620,199.9	11,602,959	61,017,241	16
Grants and subsidies	6,527,709		6,527,708.7	31,773,087	(25,245,378)	487
General expenses	20,502,091		20,502,091.4	22,015,928	(1,513,837)	107
Total Operational Expenditure paid	**580,655,748**		**580,655,747.7**	**632,484,976**	**(51,829,228)**	109
Capital Expenditure paid	**9,009,499**	-	**9,009,499.0**	**15,158,612**	**(6,149,113)**	168
Surplus		-		**6,858,245**		

- Rendering of services- Medical Service Income target was surpassed due to a large enrolment of patients to SHA. The hospital realized a jump in insurance claims which is usually at a higher rate than out of pocket payments
- Medical/Clinical costs exceeded due to unexpected donations from well wishers
- Grants and subsidies are FIF withheld for promotive and preventive services at County Health Management Team Level.
- Capital Expenditure included budget carryovers

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	6,858,245
1	Opening Cash and Cash Equivalent as per the statement of Cash flows	5,747,369
	Closing Cash and Cash Equivalent as per the statement of Cash flows	12,605,614

18. Notes to the Financial Statements

1. General Information

Kapenguria County Referral Hospital entity is established by and derives its authority and accountability from Section 25 of the Health Act 2017 and Facilities Improvement Fund (FIF) Act 2023. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is provision of quality health services.

During the period under review, the hospital adopted the Afya-Ke system a digital health information and financial management platform provided by the Ministry of Health. However, the hospital is unable to reliably determine the cost of the system and, as a result, has not recognized it as an intangible asset in its financial statements

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 *KCRH's* accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note xx The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *entity*. The financial statements have been prepared in accordance with the PFM Act, and (Facility Improvement Fund Act), and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

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

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

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

Standard	Effective date and impact:
IPSAS 43	***Applicable 1st January 2025*** 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. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities. The standard does not affect tis financial statement in any way.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	***Applicable 1st January 2025*** The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance. The standard does not affect tis financial statement in any way.

Standard	Effective date and impact:
IPSAS 45- Property Plant and Equipment	***Applicable 1st January 2025*** The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets. The standard does not affect tis financial statement in any way.
IPSAS 46 Measurement	***Applicable 1st January 2025*** The objective of this standard was to improve measurement guidance across IPSAS by: i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. The standard also introduces a public sector specific measurement bases called the current operational value. The standard does not affect tis financial statement in any way.
IPSAS 47- Revenue	***Applicable 1st January 2026*** This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish

Standard	Effective date and impact:
	the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions. The standard does not affect tis financial statement in any way.
IPSAS 48-Transfer Expenses	***Applicable 1st January 2026*** The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers. The standard does not affect tis financial statement in any way.
IPSAS 49-Retirement Benefit Plans	***Applicable 1st January 2026*** The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan. The standard does not affect tis financial statement in any way.

iii) Early adoption of standards

KCRH 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 potential related to the asset will flow to the KCRH 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

KCRH 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.

b. Budget information

The original budget for FY 2024/2025 was approved by Board on ***end of every quarter.*** 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 of on the FY 2024/2025 budget following the Board's approval. The KCRH 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 on page under section of these financial statements.

c. Taxes

Sales tax/ Value Added Tax

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

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

d. Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the

time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a period of 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.

The statement of changes in net assets includes, for the first time, Property, Plant, and Equipment (PPE) worth Kshs. 262,479,867 recognized as in-kind contributions from the County Government, which are capital in nature. Management has recognized assets received snd or constructed after devolution, where the value can be reliably measured. The Net Book Value of these PPEs as at 30 June 2024 has been presented as new additions in Note 21 to these financial statements.

The Property Plant and equipment recognized are limited to all Property Plant and equipment bought or constructed after devolution. All other Property Plant and equipment could not be measured reliably and are therefore excluded. These Property Plant and equipment will be introduced after valuations by a certified Government valuer. The property plant and equipment include but not limited to Outpatient building, administration building, Laboratory

building, Intensive Care Unit building, Physiotherapy building, pharmacy building, general stores building, Kitchen building and all the six wards' buildings.

The management uses guidelines on assets and liabilities by National Assets and Liabilities Management at National Treasury as its depreciation policy. The guidelines depreciates buildings at 2%, Motor Vehicles (pick Ups) at 16.67%, Plant and equipment at 10%, Furniture at 12.5% and Other Assets and infrastructure at various rates. The rates of 10% and 20% applied to KCRH in the year under review.

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. Biological Assets

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

i. Research and development costs

The 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.

j. Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the hospital's financial statements. (amend as appropriate).*

A financial instrument is any contract that gives rise to a financial asset of one 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.

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.

Notes to the Financial Statements (Continued)

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.

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.

Financial liabilities

Classification

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

k. Inventories

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

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

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

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

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.

l. 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.

m. Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The 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.

n. 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.

o. 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.

p. Nature and purpose of reserves

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

q. 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.

r. 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.

s. 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.

t. Borrowing costs

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

u. Related parties

The 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.

v. 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.

w. Cash and cash equivalents

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

x. Comparative figures

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

y. Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.

5. Significant Judgments and Sources of Estimation Uncertainty

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

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

6. In Kind Contributions from The County Government

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Salaries and wages	399,156,220	448,302,226
Medical Files	999,530	59,882,555
Pharmaceuticals and Non-Pharmaceutical Supplies (other suppliers)	55,390,444	18,000,000
Food and Ration	19,350,095	400,000
Firewood	1,003,000	
Servicing of Plant and Machinery	676,038	
Total grants in kind	**476,575,327**	**526,584,781**

7. Grants From Donors and Development Partners

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
GLOBAL FUND	16,395,504	32,220,080
FISTULA FOUNDATION	3,479,929	2,017,000
AMREF	6,034,110	
CHAI	1,881,824	
GDF	1,707,238	

GOK/MOH	6,828,480	
WPC COUNTY	1,268,864	
NASCOP	13,354	
NATIONAL COUNCIL OF PERSONS WITH DISABILITY(NCPWD)	279,818	
PFSCM -PARTNERSHIP FOR SUPPLY CHAIN MGT	98,475	
UNFPA	726,769	
UNICEF THROUGH KEMSA	31,872	
WHO	610,759	-
OTHER GRANTS	19,725,600	-
UNICEF DIRECT	79,507	-
Total grants from development partners	**59,162,102**	**34,237,080**

7(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
GLOBAL FUND	16,395,504	-	-	16,395,504	32,220,080
FISTULA FOUNDATION	3,479,929	-	-	3,479,929	2,017,000
AMREF	6,034,110			6,034,110	
CHAI	1,881,824			1,881,824	
GDF	1,707,238			1,707,238	

GOK/MOH	6,828,480			6,828,480	
WPC COUNTY	1,268,864			1,268,864	
NASCOP	13,354			13,354	
NATIONAL COUNCIL OF PERSONS WITH DISABILITY(NCPWD)	279,818			279,818	
PFSCM -PARTNERSHIP FOR SUPPLY CHAIN MGT	98,475			98,475	
UNFPA	726,769			726,769	
UNICEF	31,872			31,872	
WHO	610,759			610,759	
OTHER GRANTS	19,725,600			19,725,600	
UNICEF DIRECT	79,507			79,507	
	-	-	-	-	-
Total	**59,162,102**	**-**	**-**	**59,162,102**	**34,237,080**

8. Rendering of Services-Medical Service Income

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Pharmaceuticals	56,867,719	39,629,688
Non-Pharmaceuticals	3,151,742	2,196,370
Laboratory	27,640,030	19,261,644
Radiology	34,941,263	24,349,690
Orthopedic and Trauma Technology	1,036,401	722,242
Theatre	12,996,786	9,057,134
Accident and Emergency Service	403,486	281,179
Anesthesia Service		-
Ear Nose and Throat service	139,279	97,060
Nutrition service	-	-
Cancer centre service	-	-
Dental services	885,582	617,140
Reproductive health	-	-
Paediatrics services	12,397,481.43	8,639,494
Farewell home services	-	-
Ambulance services	1,805,202	-
Other medical services income *(specify)*		1,258,000
Total revenue from the rendering of services	**152,264,971**	**106,109,641**

9. Medical/ Clinical Costs

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Dental costs/ materials	-	-
Laboratory chemicals and reagents	4,324,100	6,441,895
Public health activities	-	-
Food and Ration	19,424,395	29,856,296
Uniform, clothing, and linen	358,000	-
Pharmaceutical supplies and Dressing and Non-Pharmaceuticals	152,110,200	9,707,731
Pharmaceutical supplies	-	99,957,545
Health information stationery	999,530	-
Reproductive health materials	-	-
Sanitary and cleansing Materials	-	-
Purchase of Medical gases	-	-
X-Ray/Radiology supplies	-	929,000
Other medical related clinical costs (*specify*)	-	-
Total medical/ clinical costs	**177,216,225**	**146,892,466**

10. Employee Costs

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Salaries, wages, and allowances	399,156,220	448,302,226
Employee costs	**399,156,220**	**448,302,226**

11. Board of Management Expenses

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Sitting allowance	737,500	980,880
Total	**737,500**	**980,880**

12. Depreciation and Amortization Expense

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Property, plant and equipment	24,827,243	-
Intangible assets	-	-
Investment property carried at cost	-	-
Total depreciation and amortization	**24,827,243**	**-**

13. Repairs And Maintenance

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Property- Buildings	-	-
Medical equipment	10,257,230	1,469,106
Office equipment	-	541,600

Furniture and fittings	-	-
Computers and accessories	-	-
Motor vehicle expenses	1,502,950	1,866,845
Maintenance of civil works	1,269,917	4,804,929
Total repairs and maintenance	**13,030,097**	**8,682,480**

14. Grants And Subsidies

Description	**FY 2024-2025**	**FY 2023-2024**
	Kshs	**Kshs**
Other grants and subsidies(*specify*)	31,773,087	31,235,797
Total grants and subsidies	**31,773,087**	**31,235,797**

15. General Expenses

Description	**FY 2024-2025**	**FY 2023-2024**
	Kshs	**Kshs**
Advertising and publicity expenses	-	-
Catering expenses	2,292,236	1,723,120
Sanitary and cleaning materials	7,225,765	1,601,385
Insecticides and rodenticides	-	-
General office supplies	1,724,020	1,848,170
Bank charges	14,400	9,636
Conferences and delegations	398,100	492,000
Consultancy fees	-	-
Contracted services	-	-
Electricity expenses	14,008	400,000
Fuel and Lubricants	2,127,727	1,168,070
Insurance	-	-
Research and development expenses	-	-
Travel and accommodation allowance	7,475,610	9,454,078

Legal expenses	-	-
Licenses and permits	-	-
Courier and postal services	9,450	20,260
Printing and stationery	2,374,480	419,350
Hire charges	-	-
Rent expenses	-	-
Water and sewerage costs	21,500	-
Skills development levies	-	-
Telephone and mobile phone services	121,000	324,500
Internet expenses	507,038	207,900
Staff training and development	16,000	720,000
Subscriptions to professional bodies		-
Subscriptions to newspapers periodical, magazines, and gazette notices	-	-
Library books/Materials	-	-
Other fuela eg Firewood	1,003,000	400,000
Total General Expenses	**25,324,334**	**18,788,469**

16. Cash And Cash Equivalents

Description	**FY 2024-2025**	**FY 2023-2024**
	KShs	**KShs**
Current accounts	12,605,614	5,747,369
On - call deposits	-	-
Fixed deposits accounts	-	-
Cash in hand	-	-
Others(*specify*)- Mobile money	-	-
Total cash and cash equivalents	**12,605,614**	**5,747,369**

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

Description		**FY 2024-2025**	**FY 2023-2024**
Financial institution	**Account number**	**KShs**	**KShs**
a) **Current account**			
Kenya Commercial bank	1182402844	4,937,982	5,299,499
Kenya Commercial bank	1106262182	7,667,632	298,867
			-
Sub- total		**12,605,614**	**5,598,366**
b) Others(*specify)*		-	-
cash in hand		-	88,580
Mobile money- Mpesa, Paybill No. 4085069		-	60,423
Sub- total		-	**149,003**
Grand total		**12,605,614**	**5,747,369**

17. Prepayments

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Insurance	-	-
Rent	-	-
Water	-	-
Internet	199,302	-
Others specify	-	-
Total	199,302	-

18. Receivables From Exchange Transactions

Description	**FY 2024-2025**	**FY 2023-2024**
	KShs	**KShs**
Medical services receivables-SHA	30,201,644	-
Medical services receivables-NHIF	26,313,297	15,476,165
Medical services receivables-MAKL	816,486	3,572,127
Other exchange debtors	-	-
Less: impairment allowance	-	-
Total receivables	**57,331,427**	**19,048,292**

Analysis of Receivables From Exchange Transactions

Description	FY 2024-2025		FY 2023-2024	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	41,855,262	73	15,476,165	100
Between 1- 2 years	15,476,165	27	-	-
Between 2-3 years	-	-	-	-
Over 3 years	-	-	-	-
Total (a+b)	**57,331,427**	**100**	**15,476,165**	**100**

19. Receivables From No -Exchange Transactions

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Transfers from the County Government	1,956,292	6,738,860
Undisbursed donor funds	-	-
Other debtors (*non-exchange transactions*)	-	-
Less: impairment allowance	-	-
Total	**1,956,292**	**6,738,860**

Analysis of Receivables from Non-Exchange Transactions

Description	FY 2024-2025		FY 2023-2024	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	1,956,292	100	6,738,860	100
Between 1- 2 years	-	-	-	-
Between 2-3 years	-	-	-	-
Over 3 years	-	-	-	-
Total (a+b)	**1,956,292**	100	**6,738,860**	**100**

20. Inventories

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Pharmaceutical supplies	9,949,352	21,409,697
Maintenance supplies	7,818,786	-
Food supplies	3,700,002	68,524
Linen and clothing supplies	195,458	-
Cleaning materials supplies	-	126,605
General supplies	385,910	-
Less: provision for impairment of stocks	1,674,095	-
Total	**23,723,603**	**21,604,826**

Detailed disclosure on inventories

	FY 2024-2025	FY 2023-2024
Opening balance	21,604,826	-
Additional Inventory in the year	141,827,952	-
Inventory expensed in the year	139,709,174	-
Write-downs in the year		-
Others specify	-	-
Closing balance	**23,723,603**	**21,604,826**

21. Property, Plant and Equipment

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Other Assets (specify)	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh		Ksh	Ksh
Cost	-	**0**	**0**	**0**	**0**	**0.10**		-	
At 1 July 2023 (previous year)	-	-	-	-	-	-	-	-	-
Additions	-	-	-	57,300	5,315,000	-	-	-	**5,372,300**
Disposals	-	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-	-
Revaluation Adjustments	-	-	-	-	-	-	-	-	-
At 30th Jun 2024	-	-	-	**57,300**	**5,315,000**	-	-	-	**5,372,300**
At 1 July 2024 (current year)	-		-	-	-	-	-	-	5,372,300
Additions	-	214,309,937	22,758,660	3,085,850	9,158,840	25,473,210	11,138,638	4,007,758	**289,932,893**
Disposals	-	-	-	-	-	-	-	-	-

Transfer/adjustments	-	-	-	-	-	-	-	-	-
Revaluation Adjustments	-	-	-	-	-	-	-	-	-
At 30th Jun 2025	**-**	**214,309,937**	**22,758,660**	**3,085,850**	**9,158,840**	**25,473,210**	**11,138,638**	**4,007,758**	**289,932,893**
Depreciation and impairment									
At 1 July 2023 (previous year)		-	-	-	-	-	-	-	-
Depreciation for the year		-	-	-	-	-	-	-	-
Disposals		-	-	-	-	-	-	-	-
Impairment		-	-	-	-	-	-	-	-
At 30 June 2024	-	-	-	-	-	-	-	-	-
At July 2024 (current year)	-	-	-	-	-	-	-	-	-
Depreciation	-	4,614,643	4,355,204	702,563	2,747,652	10,035,482	2,371,699	-	24,827,243
Disposals		-	-	-	-	-	-	-	-
Impairment		-	-	-	-	-	-	-	-
Transfer/adjustment		-	-	-	-	-	-	-	-

At 30th June 2025	-	4,614,643	4,355,204	702,563	2,747,652	10,035,482	2,371,699	-	24,827,243
Net book values									
At 30th Jun 2024 (previous)	-	-	-	57,300	5,315,000	-	-	-	5,372,300
At 30th Jun 2025 (current)	-	209,695,294	18,403,456	2,383,288	6,411,188	15,437,729	8,766,939	4,007,758	265,105,651

22. Trade and other Payables

Description	**FY 2024-2025**		**FY 2023-2024**	
	KShs		**KShs**	
Trade payables	23,992,679		-	
Employee dues	-		-	
Third-party payments *(e.g. unremitted payroll deductions)*	-		-	
Audit fee	-		-	
Doctors' fee	-		-	
Total trade and other payables	**23,992,679**		-	
Ageing analysis:	**FY 2024-2025**	**% of the Total**	**FY 2023-2024**	**% of the total**
Under one year	23,992,679	100	-	%
1-2 years	-	-	-	%
2-3 years	-	-	-	%
Over 3 years	-	-	-	%
Total	**23,992,679**	**100**	-	%

23. Refundable Deposits from Customers/Patients

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Contractors Retention Funds	0	0
Total deposits	**0**	**-**

Ageing analysis:	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	0	0	0	%
1-2 years	0	0	0	%
2-3 years	0	0	0	%
Over 3 years	0	0	0	%
Total	**0**	**0**	**0**	**0**

24. Cash Generated from Operations

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Surplus for the year before tax	15,937,695	12,049,184
Adjusted for:		
Depreciation and amortization expense	24,827,243	-
Non-cash grants received	-	-
Impairment	-	-
Gains and losses on disposal of assets	-	-
Contribution to provisions	-	-
Contribution to impairment allowance	-	-
Working Capital adjustments		
Increase in prepayment	(199,302)	
Increase in inventory	(2,118,777)	(21,604,826)
Increase in receivables	(33,500,567)	761,297
Increase in payables	17,070,565	-
Increase in Refundable deposits from Patients/Prepayments	-	-
Net cash flow from operating activities	**22,016,857**	**(8,794,345)**

25. 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:

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 entity has significant concentration of credit risk on amounts due from 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.

(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.

a) Foreign currency risk

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

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

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. A rate increase/decrease of 5% would result in a decrease/increase in surplus.

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:

26. Events after the Reporting Period

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

27. Currency

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

19. Appendices

Appendix 1: Progress on Follow Up of Auditor Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	**Issue / Observations from Auditor**	**Management comments**	***Status: (Resolved / Not Resolved)***	***Timeframe: (Put a date when you expect the issue to be resolved)***
1	Inaccuracy of Property, Plant and Equipment Balance	The County Government of West Pokot is in the process of valuing its assets and thereafter transfer ownership of all assets due for Kapenguria County Referral Hospital. It is from the same exercise that the management can introduce the true values and depreciation of Property Plant and equipment in the financial statements through a post audit re-statement.	Resolved	

Reference No. on the external audit Report	**Issue / Observations from Auditor**	**Management comments**	**Status:** *(Resolved / Not Resolved)*	**Timeframe:** *(Put a date when you expect the issue to be resolved)*
		The Property Plant and equipment (Computers and accessories) were acquired in the financial year under review but were installed in readiness for the AFYAKE system rollout in the FY 2024/2025. The Kapenguria County Referral Hospital uses the guidelines on asset and liability management in the public sector by National Treasury. Section 114 (5) of the guideline states that "depreciation of an asset should begin when the asset is ready to be used i.e., the asset is in the location and condition necessary for it to be able to operate		

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
		in the manner it is intended." Based on this the computers and accessories were not depreciated during the year under review.		
2	Anomalies in Medical Equipment Services (MES)	The ownership of the machines has not been transferred to the county, therefore, it made it very difficult for the management to engage another service provider for annual maintenance contracts. The status on the operationalization of the machines is as provided hereunder; I. The service contract for CR-Processor Machine elapsed, however, the machine is working and output reports are provided for	Not Resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
		confirmation. The department is awaiting of renewal of service contracts from the National Government. II. The C-Arm Machine was destroyed during a fire incident at the Kapenguria Operation Theatre. The service provider was notified and they came to assess it. The committed themselves to replace the damaged parts, a bargain which remains outstanding to date. The C-Arm Machine which was not being used at Kacheliba Sub-County Hospital was transferred to Kapenguria Referral Hospital for service continuity. Out reports are provided for your confirmation.		

Reference No. on the external audit Report	**Issue / Observations from Auditor**	**Management comments**	**Status:** *(Resolved / Not Resolved)*	**Timeframe:** *(Put a date when you expect the issue to be resolved)*
		III. The mechanical ventilations at the radiology department are working. Photographs are provided for your confirmation. IV. The mammogram machine is functional. The management has trained a radiologist who produces and analyses the reports for the mammogram machine and the other six reporting computers. The radiologist thereafter submits the reports to the medical consultant trained and engaged by the County Government. V. The BRIVO machine was not fully installed by the service provider engaged by the		

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
		National Government as they did not provide the 3-phase power cable (a related accessory for reasons of compatibility) to be connected to the powerhouse. However, the management in its own initiative procured an X-Ray machine in 2015 which is in use. Its maintenance is up to date and services are being delivered uninterrupted. VI. The procurement for the CT Scan Machine was done at National Government and was not delivered by the supplier contracted by the National Government.		
3	**2.1. Failure to Offer**	The management completed the		

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
	Essential Services)	construction of a radiology block unit. The management has made plans for operationalization of the radiology unit which will offer endoscopy, CT scan, laparoscopy, colonoscopy and MRI Scanning services. The extract of the work plan for the department of health on the radiology component which informs the budget estimates is provided for your review. The operationalization will be enabled by budget provision in the FY 2025/2026.	Not Resolve	
	2.2. Excess Medical Personnel	The management is looking forward to upgrade the hospital to a Level 5 Facility hence		

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
		recruiting more cadres to fit a level 5 requirement as per the Kenya Quality Model for Health Policy Guidelines.	resolved	
	2.3. Shortfall in Personnel	The hospital staff establishment shows the following number of staff and cadres as listed in the table below; CRITERIA MINIMUM REQUIRED AVAILABLE VARIANCE STAFFING REQUIREMENT Medical Officers 16 24 +8 Anesthesiologist		

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
		s 2 0 -2 General Surgeons 2 1 -1 Gynecologists 2 3 +1 Pediatricians 2 2 0 Radiologists 2 1 -1 Registered Community Health Nurses 75 169 +94 TOTAL 101 200 +99 In addition, the management has advertised for recruitment of staff for different cadres to		

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
	2.4. Inadequate Medical Equipment	reduce on the deficits in staffing requirements. The hospital management has put in place measures to ensure all services are availed. The current status of the medical equipment is tabulated below; ServiceLevel 4 Standard Number in Hospital Variance Percentage (%) Variance Incubators (New Born) 5 12 +7 +140% Baby Cots 5 9 +4 +80% ICU Beds 6 4 (2) -33.33% HDU Beds 6 4 (2) -33.33%		

Reference No. on the external audit Report	**Issue / Observations from Auditor**	**Management comments**	**Status:** *(Resolved / Not Resolved)*	**Timeframe:** *(Put a date when you expect the issue to be resolved)*
3	Incomplete Asset Register	The assets of Kapenguria County Referral Hospital are contained in the updated asset register for the County Government of West Pokot. An extract of the consolidated asset register is provided for your review and confirmation. As the facility gains autonomy, the county treasury will transfer the assets that belong to Kapenguria County Referral Hospital subsequently	resolved	
4.	Weaknesses in Check Health Information System (CHIS)	The management in collaboration with the National Government is in the process of installing a new system.	resolved	

Reference No. on the external audit Report	**Issue / Observations from Auditor**	**Management comments**	**Status:** *(Resolved / Not Resolved)*	**Timeframe:** *(Put a date when you expect the issue to be resolved)*
		The department has already benchmarked on the effectiveness of the new system and opted for AFYA KE. The staff have been trained and system implemented.,		
5	Weaknesses in Information and communication Technology Control Environment	The management has ensured ICT department implemented ICT policies and procedures using the County ICT Policy. The management put in place proper mechanical ventilation and installed proper locks to the server room and relocated staff to the nearby room.	resolved	
6	Inventory Management Control Weaknesses	The management has put in place proper mechanical ventilation for purposes of temperature regulation	resolved	

Reference No. on the external audit Report	**Issue / Observations from Auditor**	**Management comments**	**Status:** ***(Resolved / Not Resolved)***	**Timeframe:** ***(Put a date when you expect the issue to be resolved)***

Guidance Notes:

(i) Use the same reference numbers as contained in the external audit report.

(ii) Obtain the "Issue/Observation" and "management comments", required above, from the final external audit report that is signed by Management.

(iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible the for implementation of each issue.

(iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

.....

Accounting Officer

Appendix II: Projects Implemented by The 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						
2						

Status of Projects completion

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

SN	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	PROPOSED CONSTRUCTION OF ABLUTION BLOCK AND WALK WAY IN MALE WARD AT KCRH	3,498,079.16	2,007,758.16		2,007,758.16	2,007,758.16	FIF
2	PROPOSED BOUNDARY WALL AT KCRH	3,996,116.08	2,000,000.00		2,000,000.00	2,000,000.00	FIF
3							

Appendix III: Inter-Entity Confirmation Letter

Name of Transferring entity: West Pokot County Health and Sanitation Department

Name of Beneficiary entity: Kapenguria County Referral Hospital

Confirmation of amounts received by Kapenguria County Refferal Hospital as at 30th June (Current FY)

Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
FIF ACCOUNT	25/10/2024	9,415,029		9,415,029	
FIF ACCOUNT	16/12/2024	12,344,000		12,344,000	
FIF ACCOUNT	15/01/2025	26,692,413		26,692,413	
FIF ACCOUNT	30/04/2025	19,829,346		19,829,346	
FIF ACCOUNT	19/06/2025	20,391,846		20,391,846	
FIF ACCOUNT	30/06/2025	5,805,208		5,805,208	
Total		94,477,842		94,477,842	

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

Head of Accounts Department - Disbursing Entity:

Name ..... Sign .....

Date .....

Head of Accounts Department - Beneficiary Entity:

Name ..... Sign .....

Date.....

Appendix IV- Trial Balance

KAPENGURIA COUNTY REFERRAL HOSPITAL		
REPORTS AND FINANCIAL STATEMENTS		
FOR THE YEAR ENDED JUNE 30, 2025		
AS OF 30/06/2025		
TRIAL BALANCE		
Description	**DR**	**CR**
Revenue from non-exchange transactions		
Transfers from the County Government		-
In- kind contributions from the County Government		890,315,332
Grants from donors and development partners		65,088,102
Rendering of services- Medical Service Income		152,264,971
Total revenue		
Expenses		
Medical/Clinical costs	177,216,225	
Employee costs	399,156,220	
Board of Management Expenses	737,500	
Depreciation and Amortization Expense	135,432,875	
Repairs and maintenance	13,030,097	
Grants and Subsidees	31,773,087	
General expenses	25,324,334	
CASH AND BANK BALANCES		
Kenya Commercial bank 1182402844	4,937,982	
Kenya Commercial bank 1106262182	7,667,632	
Kenya Commercial bank 1342077563	-	
Mobile money- Mpesa, Paybill No. 4085069	-	

Cash in Hand	-	
Prepayments	199,302	
ACCOUNTS PAYABLE-		
Trade payables		23,992,679
Refundable deposits from Patients/Prepayments		-
Receivables	59,287,719	-
PPE	302,083,527	
Inventories	33,326,232	
Fund balance b/fwrd 2024/2025		58,511,647
TOTAL	**1,190,172,732**	**1,190,172,732**