

REPUBLIC OF KENYA



*Enhancing Accountability*



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**KITUI COUNTY REFERRAL  
LEVEL 4 HOSPITAL**

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

**COUNTY GOVERNMENT OF KITUI**

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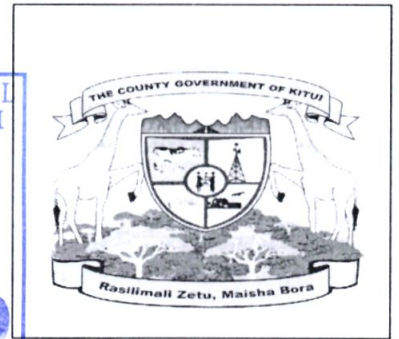
Revised 30<sup>th</sup> June 2024



OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
**MACHAKOS HUB.**

**31 DEC 2024**

**RECEIVED**



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# **KITUI COUNTY REFERRAL HOSPITAL-Level 4 Hospital (Kitui County Government)**

**AMMENDED ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2024**

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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
Fiduciary Management	Key management personnel who have financial responsibility in the entity.
FIF	Facility Improvement Fund
KCRH	Kitui County Referral Hospital

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

## **2. Key Entity Information and Management**

### **(a) Background information**

Kitui County Referral Hospital is a licensed public health facility by Kenya Medical Practitioners' and Dentist Council (KMPDC) registration number GK-014107 and is domiciled in Kitui County under the County ministry of Health and Sanitation. The facility is located along Kitui-Kibwezi Road in Kitui town, Kitui Central Constituency and serves a catchment population of 199,273 (KHIS 2024) and also serves as The County Referral Hospital.

The hospital is governed by a Board of Management comprising of nine (9) members drawn from various professional backgrounds. The Chairperson of the board is a public health officer with twenty-seven (27) years of experience while the secretary is the Medical Superintendent who holds a master's degree in internal medicine with twenty (27) years of experience.

### **(b) Principal Activities**

The Hospital key mandate is to offer Quality health care, improve clinical outcomes, improve on the procedures and systems and strengthen health promotion and disease prevention.

We have a bed capacity of 248 with an outpatient workload of 220,409(KHIS 2024).

We offer outpatient, inpatient and specialized services such as Oncology/Cancer, Urology, paediatrics, general surgery, orthopaedic surgery, Radiology, gynaecology and obstetrics, ophthalmology, ENT, pathology & Specialized Laboratory tests, ICU care, Kidney dialysis, psychiatry, maxillofacial surgery among others.

**Our Vision** is to be the leading County Hospital in provision of quality client-centred health care services in Kenya.

**Our Mission** is to provide accessible and affordable quality health care services to all and facilitate training, research and policy development.

**Our Core values** includes; - Customer focus, teamwork, professionalism, integrity, Equity & equality, commitment and safety.

**Our Strategic objectives** includes; - to improve clinical outcomes, improve on procedures & systems, strengthen health promotion and disease prevention practices, enhance empowerment & commitment of human resource and participate in health planning & policy formulation

### **(c) Key Management**

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

- a. County Department of Health and sanitation
- b. Board of Management
- c. Hospital Management Team
- d. Medical Superintendent

**(d) Fiduciary Management**

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

No.	Designation	Name
1.	Medical Superintendent	<b>Dr. Mungai John</b>
2.	Chief Officer- Medical services	<b>Dr. Benson Musyoka</b>
3.	Chief Officer-Drugs and medical supplies	<b>Aggrey Kamba</b>
4.	Chief Officer-Public health and sanitation	<b>Dr. Lynn Kitwan</b>
5.	Chief Officer Finance	<b>Cpa John Makau</b>
6.	CECM Health	<b>Dr. Ruth koki</b>
7.	CECM Finance	<b>Peter Mwikya Kilonzo</b>

**(e) Fiduciary Oversight Arrangements**

These includes; -

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

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

**(f) Entity Headquarters**

P.O. Box 22-90200  
Hospital grounds.  
Kitui, KENYA

**(g) Entity Contacts**

Telephone: (+254) 710409696  
E-mail: dmsokitui@gmail.com  
Website: www.kitui.go.ke

**(h) Entity Bankers**

CO-OPERATIVE BANK OF KENYA  
KITUI BRANCH

**(i) Independent Auditors**

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

**(j) Principal Legal Adviser**

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




**(k) County Attorney**




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

**3. The Board of Management**

<b>REF</b>	<b>DIRECTOR</b>	<b>REPRESENTATIVE</b>	<b>QUALIFICATIONS</b>	<b>YEAR OF BIRTH</b>	<b>EXPERIENCE</b>	<b>DESIGNATION</b>
1	<b>CHARLES MULANDI</b>	Diplomat	Public Health Officer	1963	27 years	-The chairperson of the Board. Member of Audit sub-committee
2	<b>JOB MUISYO</b>	Town Administration				-Member -Chairperson of Audit sub-committee
3	<b>AGNES MWIKALI KYALO</b>	Special groups	BSc Nursing	1961	34 years	-Vice Chairperson -Chairperson of Quality of health sub-committee
4	<b>KIVUIO DAVID</b>	Business Community	Business man			-Member. -Member of finance and general-purpose sub-committee.
5	<b>MUNAH AHMEDE</b>	Active Women Groups	PARALEGAL Project officer	1961	23 Years	-Member -Member of Audit and Quality of Health Sub-committees
6	<b>JOSEPH KIMANZI</b>	Dominant faith-based organizations.	Pastoral	1974	26 years	-Member. -Member of finance and general-purpose sub-committee.
8	<b>MONICA MUENI SYANDA</b>	People living with disabilities (PLWD)	Project Management	1989		-Member -Chairperson of Finance and general-purpose sub committee
9	<b>DR. MUNGAI JOHN</b>	Kitui County Referral Hospital	Physician	1970	27	-Board secretary -Medical Superintendent

4. Key Management Team

Ref	Management		Details	
Ref	PERSONAL NUMBER	DESIGNATION	PROFESSIONAL QUALIFICATIONS	NAME AND PASSPORT PHOTO
	1997078183	Medical Superintendent	Master of Medicine (Internal Medicine) Preceptor Certificate in Renal Dialysis.	 <p><b>DR. JOHN MUNGAI</b></p>
	2014018281	Deputy Medical Superintendent	Medical Specialist- Paediatrics and child health.	 <p><b>DR. JOSPHAT MBUVI CHAI</b></p>
	20160013927	Health Administrative Officer	Bachelor of Business Management (Accounting Option).	 <p><b>BARNABAS KYALO KINEI</b></p>

4.	20220144452	Hospital Accountant	Certified Public Accountant, Kenya.	 <b>CPA</b> <b>CEPHAS MUTEMI KIMWELI</b>
5.	20150025406	Supply Chain Management Officer	Msc. Procurement and logistics.	 <b>MERCY MWENDE MWEMA</b>
5.	1994058558	Nursing officer in charge	Kenya Registered Community Health Nurse (KRCHN).	 <b>BEATRICE NGOMO</b>

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

As the chairman of Kitui County Referral Hospital I am honoured to release our annual report for the year ended 30<sup>th</sup> June 2024 noting improvement in key performance areas. This guarantees to all stakeholders that their interests are met and value for money achieved.

### **Operating Environment**

As we are aware there have been numerous challenges facing our country especially the Covid-19 pandemic hence during the financial year there was generally slowed economic growth which affected all sectors of the economy and generally capital investment was lower than expected. The demand for our services has continued to rise and we have various strategies to ensure that all our customers have services which satisfies their needs. We continued to engage with our stakeholders to ensure all their concerns are addressed. The environments we operate in require constant networking and research in health care to guarantee sustainability of our business.

As a board we have ensured that we operate in a socially responsible manner. This includes a continued focus on operational efficiency, resources availability and responding to the needs of our customers.

### **Expansion Programmes**

Various programmes have been initiated to expand our entity, to ensure we produce more services which will reach more customers here in Kenya. Notably plans are underway to upgrade the facility to Level 5.

### **Future Plans**

Our future can only be brighter depending on our ability to figure out the future by anticipating and responding to various changes. Looking ahead, the board will continue to support investment in new projects to ensure the continued growth of the facility and progress towards achieving the facility's main objectives that of delivering quality health care to its customers. The year ended in a promising position and having all enabling policies and right frameworks we will be able to achieve our entire plans and realize our vision and mission as we fulfil our mandate to all stakeholders.

Thank you.

CHARLES MULANDI

CHAIRMAN

SIGN



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

### **General Overview.**

Am delighted to report our Annual Performance for the for the period ended 30th June 2024. The Hospital's performance has been impressive despite the challenges experienced this year like prolonged Industrial labour withdrawal by Doctors, Clinical officers and Laboratory Officers during the months of March to June 2024.

The Hospital Out Patient Department (OPD) workload has increased from 172,318 to 220,409 (127.91%) while the hospital revenue increased from Ksh 208,594,839 to Ksh 255,093,538(124.08%).

New Services such as Cancer care, ICU care, Computerized Tomography (CT Scan), Echocardiography, Haemophilia Care as well as School friendly clinic have been introduced to the benefits of our clients. Telemedicine has been introduced and the Hospital main Boardroom furnished

We are in the process of upgrading New Born Care, Oxygen supply systems, Drug Storage facilities, Blood Transfusion services as well as Mortuary services.

Uninterrupted network connectivity has been achieved thus reducing Digital service (HMIS) disruptions.

### **Regards**

I take this opportunity to sincerely thank the Board of Directors for their strategic and Policy Guidance during the concluded financial year 2023/2024.

The Management and entire Staff Members of KCRH have continued to discharge their mandate with commitment and dedication.

I have Full Confidence that we have the necessary skills and determination to implement the upcoming Universal Health Coverage (UHC) Programme to the benefits of our clients.

Kind regards



Dr. Mungai John

**Medical Superintendent/ Board Secretary**

**7. Statement of Performance Against Predetermined Objectives**

Kitui County Referral Hospital (KCRH) has 3 strategic pillars and objectives within the current Strategic Plan for the FY 2023- FY 2024. These strategic pillars/ themes/ issues are as follows:

Pillar 1: Increased revenue

Pillar 2: Increased customer satisfaction

Pillar 3: Enhance institutional capacity

KCRH develops its annual work plans based on the above 3 pillars. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The corporation achieved its performance targets set for the FY 2023/2024 period for its 3 strategic pillars, as indicated in the diagram below:

<b>Strategic Pillar/Theme/Issues</b>	<b>Objective</b>	<b>Key Performance Indicators</b>	<b>Activities</b>	<b>Achievements</b>
Pillar 1: Increase revenue	To Increase our sales	-timely collection of revenue from patients -Increase customers -increased services	- Increased revenue	- improvement in collection efficiency
Pillar 2: Increased customer satisfaction	Good customer relations	-Less customer complaints Prompt handling of customer issues -Increased customer/ stakeholder participation	-Good Customer care services - Implement an effective feedback mechanism for customers -Enhance collaborations between customers and stakeholders	-Good customer relations
Pillar 3:	To	-High	-Ensure	-Job

<p>Enhance institutional capacity</p>	<p>attract and retain qualified staff</p> <p>-To increase funding to KCRH</p>	<p>productivity</p> <p>-improved performance</p> <p>-increased performance</p> <p>-increased staff motivation and productivity</p> <p>-timely collection of revenue</p> <p>Adequate financial planning</p>	<p>optimal staff complement</p> <p>-Enhance staff training</p> <p>- Performance management and reward</p> <p>-Improve revenue collection efficiency</p> <p>-Enhance effective financial management</p>	<p>Evaluation being done</p> <p>-Collection efficiency is much enhanced</p>
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**8. Corporate Governance Statement**

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

The facility conducts its operations in accordance with the principles of good corporate governance.

**Board of Directors**

The composition of the board is compliant with good corporate governance practices. The roles of the Chairman and the Chief Executive Officer are segregated. The Med Superintendent is in charge of the day to day running of the business of the company. A non-executive director acts as the Chairman of the board.

The current board is composed of the Med Sup. and directors drawn from various stakeholders. The board is therefore composed of committed individuals with diverse and complementary skills to ensure that there is sufficient wealth of experience at board level.

**Board Meetings**

Board meetings are held every quarter and in exceptional circumstances as dictated by demand and exigencies of operations.

**Process of appointment and removal of directors**

The persons appointed shall be by name and by notice in the Gazette. The person appointed shall hold office for a term of three years, but shall on the basis of satisfactory performance be eligible for re-appointment for one further term of three years. A board member can cease to be a member if he/she is judged a bankrupt.

**Induction and training**

After every Annual general meeting, the directors undergo an induction and training.

**Ethics and conduct of directors**

To show commitment of proper utilization and management of public resources and proper running of corporation affairs, KCRH has developed a code of ethics to be signed by all board members. A code of ethics provides guidance and direction in the manner in which members of the board of directors are expected to conduct themselves when handling matters relating to the company.

**9. Management Discussion and Analysis**

-The current Hospital bed capacity is 248

Hospital bed capacity	
Fy-2021-2022	228
Fy-2022-2023	235
Fy-2023-2024	248

-The Overall patient attendance is 220,409 (Outpatient) and 11,953 (In patient). The Hospital's accident and emergency attendance data is noted in general out-patient data.

Out-patient attendance	
Fy-2021-2022	214,539
Fy-2022-2023	172,318
Fy-2023-2024	220,409

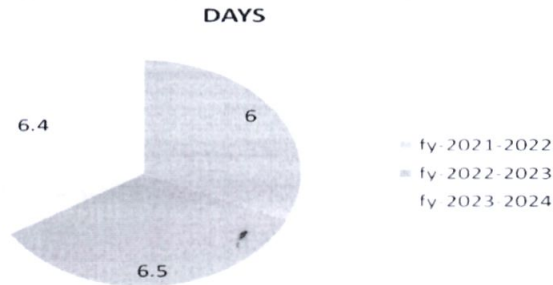
Fy-2021-2022	11,434
Fy-2022-2023	11,758
Fy-2023-2024	11,953

-The Hospital specialized clinic attendance stands at 99,652.

Specialized clinic attendance	
Fy-2021-2022	54,449
Fy-2022-2023	34,212
Fy-2023-2024	99,652

-The Hospital Average length of stay for in-patient is 6 days.

### Average length of stay in days



-The Hospital's bed occupancy rate is 95% while mortality rate stands at 7.5% while the number of operations/surgical theatre utilisation is 6184.



-The number of sponsorships and partnerships are 3212.

### Sponsorship and partnerships.

Fy-2021-2022	3087
Fy-2022-2023	3152
Fy-2023-2024	3212

#### Financial performance that includes

- Revenue sources in the facility include; Consultation Charges, Laboratory charges, Radiology charges, E.N.T department charges, Eye Unit charges, In-patient/Maternity charges, Medical Exam charges, Medical Records charges, Mortuary charges, Occupational Therapy charges, Plaster department charges, Orthopaedic Technology charges, Out-patient charges, Physiotherapy charges, Dental department charges, Theatre charges, Gynaecology charges, Renal charges and Drugs charges.

Kitui county referral hospital revenue streams includes: NHIF, AON-MAKL, BRITAM, CORPORATE, M-PESA, EXEMPTIONS and WAIVERS

- The Hospital is funded by County government of Kitui through monthly disbursement of Facility improvement funds (FIF) and all the spending is guided by the Authority to Incur Expenditure (AIE).



*Dr. Mungai John*  
*MEDICAL SUPERITENDENT.*

*SIGN*

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

Kitui County referral hospital exists to provide accessible and affordable quality health care services to all and facilitate training, research and policy development. Below is an outline of the organisation's policies and activities that promote sustainability.

### ***i) Sustainability strategy and profile***

Health care provision is driven by educated workforce, availability of medical products & technology, Information Management, healthcare financing and strong leadership.

### ***ii) Environmental performance.***

The facility is in the process of putting up an insulator machine that burns down all the hospital waste material and has planted trees within the facility

### ***iii) Employee welfare.***

The facility ensure adherence to the stipulated Human Resource guidelines as directed by the Kitui county public service board more specifically on hiring casuals at facility level.

### ***iv) Market place practices-***

Kitui Referral Hospital is committed to ensuring fair competition, responsible supply chain and supplier relations, responsible marketing and advertisement and proper product

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

Kitui County Referral Hospital in time to time do carry out CSR activities to give back to the community during the financial year and look forward to organizing the same in the future.

**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, 2024, which show the state of the Kitui county referral hospital affairs.

**Principal activities**

The principal activities of the entity are health care to improve clinical outcomes, improve on procedures, strengthen health promotion and disease prevention practices, enhance empowerment and commitment of human resource, participate in health planning and policy formulation.

**Results**

The results of the entity for the year ended June 30<sup>th</sup> 2024 are set out on page 0 to 58

**Board of Management**

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

**Auditors**

The Auditor General is responsible for the statutory audit of the Kitui County Referral hospital in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year ended 30<sup>th</sup> June 2024

By Order of the Board



Dr. Mungai John  
Med Sup.

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

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


The Board of Management is responsible for the preparation and presentation of the Kitui county referral hospital financial statements, which give a true and fair view of the state of affairs of the Kitui county referral hospital for and as at the end of the financial year (period) ended on June 30, 2024. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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 Kitui county referral hospital; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

The Board of Management accepts responsibility for the Kitui county referral hospital financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Board members are of the opinion that the Kitui county referral hospital financial statements give a true and fair view of the state of Kitui county referral hospital transactions during the financial year ended June 30, 2024, and of the Kitui county referral hospital financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the Kitui county referral hospital, which have been relied upon in the preparation of the Kitui county referral hospital 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 Kitui county referral hospital will not remain a going concern for at least the next twelve months from the date of this statement.

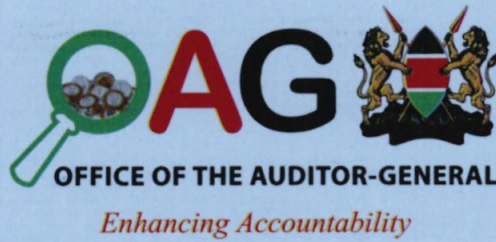
### **Approval of the financial statements**

The Hospital's financial statements were approved by the Board on 26.9.24 and signed on its behalf by:

  
.....  
**Name: Charles Mulandi**  
**Chairperson**

  
.....  
**Name: Dr. Mungai John**  
**Accounting Officer**

# REPUBLIC OF KENYA



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**HEADQUARTERS**  
Anniversary Towers  
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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON KITUI COUNTY REFERRAL LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2024 – COUNTY GOVERNMENT OF KITUI**

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### **PREAMBLE**

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

- A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

## REPORT ON THE FINANCIAL STATEMENTS

### Qualified Opinion

I have audited the accompanying financial statements Kitui County Referral Hospital – County Government of Kitui set out on pages 1 to 59, which comprise the statement of financial position as at 30 June, 2024 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

### Basis for Qualified Opinion

#### 1.0 Unsupported Donor Funds

The statement of financial performance reflects grants from donors and development partners amount of Kshs.46,300,000 as disclosed under Note 8 to the financial statement. This amount relates to donor funded contributions towards the construction and equipping of a Cancer Centre and a Newborn Unit. However, supporting documents were not provided for audit to support the figures reported of the donation and the expenditure thereof.

In the circumstances, the accuracy and completeness of the grants from donors and development partners amount of Kshs.46,300,000 could not be confirmed.

#### 2.0 Non-Disclosure of Property, Plant and Equipment

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

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

### **3.0 Unutilized Medical Equipment**

Audit inspection revealed that the Hospital had equipment outsourced by the Ministry of Health through the Managed Equipment Services (MES). However, physical verification in the month of January, 2025 revealed that the contracts between maintenance service providers and the Ministry had expired. Therefore, several machines; two (2) X-ray machines, one (1) OPG Dental X-ray Machine and one (1) Mammogram Breast X-ray machine were not functioning and had not been serviced as at time of audit on 8 January, 2025.

In the circumstances, value for money in respect of Managed Equipment Services (MES) equipment could not be confirmed.

### **4.0 Delayed Project Completion**

Project verification exercise conducted at the Hospital revealed that the construction of the maternity and surgical and amenity block contract value of Kshs.387,557,653 was stalled. Further, the contractor abandoned the project and was paid Kshs.53,000,000

In the circumstances, the regularity and value for money for the stalled project and Kshs.53,000,000 paid to date could not be confirmed.

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

### **Emphasis of Matter**

#### **Budget and Budgetary Performance**

The statement of comparison of budget and actual amounts reflects final total revenue budget and actual on a comparable basis of Kshs.1,212,209,074 and Kshs.1,210,177,308 respectively resulting to an under funding of Kshs.2,031,766 or 1% of the budget. Similarly, the Hospital spent Kshs.1,210,245,968 against actual receipts of Kshs.1,210,177,308 resulting to an over-expenditure of Kshs.68,660 or 1% of the receipts. However, the approval of the County Treasury for the over expenditure was not provided for audit review and the source of the funds for the over expenditure was not disclosed.

My opinion is not modified in respect of these matter.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

## **Other Matter**

### **Unresolved Prior Year Issues**

In the audit report of the previous year, several issues were raised under the Report on Financial Statement, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the issues have not been disclosed in the financial statements. Further, Management had not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.

### **Other Information**

Management is responsible for other information set out on page i to xviii which comprise of key entity information and management, the Board of Management, 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.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1.0 Asset Management**

##### **1.1 Failure to Maintain Fixed Asset Register**

During the audit, it was noted that the Hospital does not maintain fixed asset register to control its assets. This is contrary to Regulation 136(1) of the Public Finance

Management (County Government) Regulations, 2015 which states that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws. In addition, there was no evidence to show that the fund has ever evaluated its assets to ascertain the correct market values.

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

## 1.2 Failure to Dispose Unserviceable Assets

Audi inspection revealed unserviceable assets that have not been disposed of and the same remain unutilized. This was contrary to Section 164(1) of the Public Procurement and Asset Disposal Act, 2015 which states that the employee in charge of unserviceable, obsolescent, obsolete or surplus assets shall bring the matter to the attention of the Disposal Committee through the Head of the Procurement Function.

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

## 2.0 Deficiencies in Implementation of Universal Health Coverage (UHC)

Review of Hospital records and interviews on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits by 17 staff requirements or 22% of the authorized establishment.

Staff Requirements	Level standard	4	Number in Hospital	Variance	Percentage
Anesthesiologists	2		1	1	50
General surgeons	2		1	1	50
Kenya Registered Community Health Nurses	75		60	15	20
<b>Total</b>	<b>77</b>		<b>62</b>	<b>17</b>	<b>22</b>

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

Service	Level Hospital Standard	4	Actuals in the Hospital	Variance	Percentage
Functional ICU beds	6		2	4	67
High Dependency Unit (HDU) Beds	6		1	5	83

These deficiencies contravene the First Schedule of Health Act, 2017 and imply that accessing the highest attainable standard of health, which includes the right to health

care services, including reproductive health care as required by Article 43(1) of the Constitution of Kenya, 2010 may not be achieved.

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

### **3.0 Long Outstanding Trade and Other Payables**

The statement of financial position reflects trade and other payables balance of Kshs.16,659,343 as disclosed in Note 34 to the financial statements. However, included in the balances are trade payables amounting to Kshs.3,450,694 which had been outstanding for more than one (1) year which could be an indication of over commitment of funds. This is Contrary to Section 53(8) of the Public Procurement and Disposal Act ,2015 which states that an Accounting Officer shall not commence any procurement proceedings until satisfied that sufficient funds to meet the obligations of the resulting contract (s) are reflected in approved budget estimates.

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

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

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

#### **1.0 Expiry of Medical Supplies**

The statement of financial position reflects an inventory balance of Kshs.45,686,245 as disclosed in Note 30 to the financial statements. Review of the store records on pharmaceuticals and non-pharmaceuticals revealed that 9,672 units of various drugs of undetermined value had expired.

In the circumstances, the effectiveness of internal controls on the management of pharmaceutical and non-pharmaceutical could not be confirmed.

## **2.0 Lack of Risk Management Policy and Disaster Recovery Plan**

The Hospital Management has not put in place a risk management policy, strategies and risk register to mitigate against risk. It was therefore not clear how risk exposure was managed. This is in contravention of Regulation 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer to ensure that the County Government entity develops risk management strategies, which include fraud prevention mechanism; and the County Government entity develops a system of risk management and internal control that builds robust business operations. Further, the Hospital did not have a disaster recovery and business continuity plans required for identifying, preventing, and mitigating against disasters and ensuring that its operations are not interrupted. This is contrary to provisions of Regulations 158(b)(1) of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, the existence of an effective risk management policy could not be confirmed.

## **3.0 Non-Functional Audit Committee**

During the year under review, it was noted that the audit committee was constituted. However, no Audit committee charter was in place and no audit committee meeting was held contrary to Regulation 172(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the audit committee shall meet at least once in every three months. Further, the Internal audit plan and budget was not approved by the audit committee.

In the circumstances, the effectiveness of the internal control mechanisms could not be confirmed.

## **4.0 Outstanding Receivables from Exchange Transactions**

The statement of financial position reflects receivables from exchange transactions balance of Kshs.50,521,536 as disclosed in Note 28 to the financial statements. The amount relates to dues from the National Health Insurance Fund (NHIF) whose records indicate a balance Kshs.41,051,138 resulting to an unexplained variance of Kshs.9,470,398. Further, the amount has been outstanding for more than six (6) months while the contract between the Hospital and NHIF indicates the period to pay genuine claims is within 30 days of submission.

In the circumstances, the effectiveness of the internal controls over the receivables could not be confirmed.

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

## **Responsibilities of the Management and Board of Management**

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

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

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

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

The hospital board of management 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 for 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**

**10 January, 2025**

*Kitui County Referral Hospital (Kitui County Government)*

*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2024*

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

Description	Note	2023/2024	2022/2023
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from the County Government	6	166,608,449	209,981,019
In-kind contributions from the County Government	7	742,175,320	583,557,771
Grants from donors and development partners	8	46,300,000	-
Transfers from other Government entities	9	-	-
		<b>955,083,769</b>	<b>793,538,790</b>
<b>Revenue from exchange transactions</b>			
Rendering of services- Medical Service Income	11	255,093,539	208,494,839
Revenue from rent of facilities	12	-	-
Finance /Interest Income	13	-	-
Miscellaneous Income	14	-	-
<b>Revenue from exchange transactions</b>		<b>255,093,539</b>	<b>208,494,839</b>
<b>Total revenue</b>		<b>1,210,177,308</b>	<b>1,002,033,629</b>
<b>Expenses</b>			
Medical/Clinical costs	15	43,078,998	74,153,149
Employee costs	16	78,897,578	67,335,866
Board of Management Expenses	17	201,900	919,090
Depreciation and amortization expense	18	-	-
Repairs and maintenance	19	8,595,794	8,593,888
Grants and subsidies	20	-	-
General expenses	21	35,902,839	41,068,055
Finance costs	22	-	-

**Kitui County Referral Hospital (Kitui County Government)**


**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2024**

Description	Note	2023/2024	2022/2023
		Kshs	Kshs
In kind contributions	7	742,175,320	583,557,771
Transfers to County government Revenue Fund	11	255,093,539	208,494,839
Grants from donors and development partners	8	46,300,000	-
<b>Total expenses</b>		<b>1,210,245,968</b>	<b>984,122,658</b>
<b>Other gains/(losses)</b>			
Gain/Loss on disposal of non-Current assets	23	-	-
Unrealized gain on fair value of investments	24	-	-
Medical services contracts Gains/Losses	25	-	-
Impairment loss	26	-	-
Gain on foreign exchange transactions		-	-
<b>Total other gains/(losses)</b>		<b>-</b>	<b>-</b>
<b>Net Surplus / (Deficit) for the year</b>		<b>(68,660)</b>	<b>17,910,971</b>

*(The notes set out on pages 9 to 54 form an integral part of the Annual Financial Statements.)*

The Hospital's financial statements were approved by the Board on 26.9.24 and signed on its behalf by:

  
 .....  
**CHARLES MULANDI**  
 Chairman

  
 .....  
**CPA CEPHAS KIMWELE**  
 Head of Finance  
 ICPAK No: 31991

  
 .....  
**DR. MUNGAI JOHN**  
 Medical Superintendent

**Board of Management**

*Kitui County Referral Hospital (Kitui County Government)*

*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2024*

**15. Statement of Financial Position As At 30<sup>th</sup> June 2024**

Description	Note	2023/2024	2022/2023
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	27	331	516,415
Receivables from exchange transactions	28	50,521,536	7,792,706
Receivables from non-exchange transactions	29	-	17,677,180
Inventories	30	45,686,245	25,278,571
<b>Total Current Assets</b>		<b>96,208,112</b>	<b>51,264,872</b>
<b>Non-current assets</b>			
Property, plant, and equipment	31	-	-
Intangible assets	32	-	-
Investment property	33	-	-
<b>Total Non-current Assets</b>		<b>-</b>	<b>-</b>
<b>Total assets (A)</b>		<b>96,208,112</b>	<b>51,264,872</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	34	16,659,343	2,144,300
Refundable deposits from customers/Patients	35	-	-
Provisions	36	-	-
Finance lease obligation	37	-	-
Current portion of deferred income	38	-	-
Current portion of borrowings	39	-	-
Social Benefits	41	-	-
<b>Total Current Liabilities</b>		<b>16,659,343</b>	<b>2,144,300</b>
<b>Non-current liabilities</b>			
Provisions	36	-	-
Non-Current Finance lease obligation	37	-	-
Non-Current portion of deferred income	38	-	-
Non - Current portion of borrowings	39	-	-
Service concession Arrangements	40	-	-

**Kitui County Referral Hospital (Kitui County Government)**


**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2024**


Description	Note	2023/2024	2022/2023
		Kshs	Kshs
Social Benefits	41	-	-
<b>Total non-current liabilities</b>		-	-
<b>Total Liabilities (B)</b>		<b>16,659,343</b>	<b>2,144,300</b>
<b>Net assets (A-B)</b>		<b>79,548,769</b>	<b>49,120,572</b>
<b>Represented by:</b>			
Revaluation reserve		-	-
Accumulated surplus/Deficit		17,090,770	17,159,430
Capital Fund		62,457,999	31,961,142
<b>Net Assets</b>		<b>79,548,769</b>	<b>49,120,572</b>
<b>Total Net Assets and Liabilities</b>		<b>96,208,112</b>	<b>51,264,872</b>

(The notes set out on pages 9 to 54 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 26.9.2024 and signed on its behalf by:

  
 .....  
**CHARLES MULANDI**  
 Chairman

  
 .....  
**CPA CEPHAS KIMWELE**  
 Head of Finance  
 ICPAK No: 31991

  
 .....  
**DR. MUNGAI JOHN**  
 Medical Superintendent

**Board of Management**

**Kitui County Referral Hospital (Kitui County Government)**

**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2024**

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

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
<b>As at July 1, 2022</b>	-	(751,541)	-	(751,541)
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	17,910,971	-	17,910,971
Capital/Development grants	-	-	-	-
<b>As at June 30, 2023</b>	-	<b>17,159,430</b>	-	<b>17,159,430</b>
<b>At July 1, 2023</b>	-	<b>17,159,430</b>	-	<b>17,159,430</b>
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	(68,660)	-	(68,660)
Capital/Development grants	-	-	-	-
<b>At June 30, 2024</b>	-	<b>17,090,770</b>	-	<b>17,090,770</b>


(Note:

1. For items that are not common in the financial statements, the entity should include a note on what they relate to – either on the face of the statement of changes in equity/net assets or among the notes to the financial statements.
2. Prior year adjustments should have an elaborate note describing what the amounts relate to. In such instances, a restatement of the opening balances needs to be done.)

The Hospital's financial statements were approved by the Board on 26.9.2024 and signed on its behalf by:

  
 CHARLES MULANDI  
 Chairman

Board of Management

  
 CPA CEPHAS  
 KIMWELE  
 Head of Finance  
 ICPAK No: 31991

  
 DR. MUNGAI JOHN  
 Medical Superintendent

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

Description	Note	2023/2024	2022/2023
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the County Government		166,608,449	192,787,985
Grants from donors and development partners		46,300,000	-
Transfers from other Government entities		-	-
Rendering of services- Medical Service Income		255,093,539	208,494,839
Revenue from rent of facilities		-	-
Finance / interest income		-	-
In kind contributions from County government		742,175,320	583,557,771
<b>Total Receipts</b>		<b>1,210,177,308</b>	<b>984,840,595</b>
<b>Payments</b>			
Medical/Clinical costs		43,078,998	74,153,149
Employee costs		78,897,578	67,335,866
Board of Management Expenses		201,900	919,090
Repairs and maintenance		8,595,794	8,593,888
Grants and subsidies		0	0
General expenses		35,902,839	41,068,055
Finance costs		0	0
Refunds paid out		0	0
In kind contributions from County government		742,175,320	583,557,771
Transfers to County Revenue fund & exemptions		255,093,539	208,494,839
Public contributions and donations		46,300,000	-
<b>Total Payments</b>		<b>1,210,245,968</b>	<b>984,122,658</b>
<b>Net cash flows from operating activities</b>	42	<b>(68,660)</b>	<b>717,937</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment		-	-
Purchase of intangible assets		-	-
Proceeds from the sale of PPE		-	-

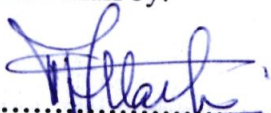
**Kitui County Referral Hospital (Kitui County Government)**

**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2024**


Description	Note	2023/2024	2022/2023
		Kshs	Kshs
Acquisition of investments		-	-
<b>Net cash flows used in investing activities</b>		-	-
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Capital grants received		-	-
<b>Net cash flows used in financing activities</b>		-	-
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(68,660)</b>	<b>517,315</b>
Cash and cash equivalents as at 1 July	27	69,991	(900)
<b>Cash and cash equivalents as at 30 June</b>	27	<b>331</b>	<b>516,415</b>


*(PSASB has now prescribed the direct method of cashflow presentation for all entities under the IPSAS Accrual basis of accounting).*

The Hospital's financial statements were approved by the Board on 26.9.2024 and signed on its behalf by:

  
 .....  
**CHARLES MULANDI**  
 Chairman

**Board of Management**

  
 .....  
**CPA CEPHAS  
 KIMWELE**  
 Head of Finance  
 ICPAK No: 31991

  
 .....  
**DR. MUNGAI JOHN**  
 Medical Superintendent

**Kitui County Referral Hospital (Kitui County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2024**

**18. Statement of Comparison of Budget and Actual Amounts for Year Ended 30 Jun 2024**

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	<b>a</b>	<b>b</b>	<b>c=(a+b)</b>	<b>d</b>	<b>e=(c-d)</b>	<b>f=d/c%</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	
<b>Revenue</b>						
Transfers from the County Government	168,640,215	0	168,640,215	166,608,449	2,031,766	99%
Grants from donors and development partners	46,300,000	0	46,300,000	46,300,000	0	100%
Transfers from other Government entities	-	-	-	-	-	%
Rendering of services- Medical Service Income	255,093,539	0	255,093,539	255,093,539	0	100%
In kind contributions from County government	742,175,320	0	742,175,320	742,175,320	0	100%
Revenue from rent of facilities	-	-	-	-	-	%
Finance / interest income	-	-	-	-	-	%
Miscellaneous receipts ( <i>specify</i> )	-	-	-	-	-	%
<b>Total income</b>	<b>1,212,209,074</b>	<b>0</b>	<b>1,212,209,074</b>	<b>1,210,177,308</b>	<b>0</b>	<b>100%</b>
<b>Expenses</b>						
Medical/Clinical costs	43,078,998	0	43,078,998	43,078,998	0	100%
Employee costs	78,897,578	0	78,897,578	78,897,578	0	100%
Remuneration of directors	201,900	0	201,900	201,900	0	100%
Repairs and maintenance	8,595,794	0	8,595,794	8,595,794	0	100%
Grants and subsidies	-	-	-	-	-	%
General expenses	35,902,839	0	35,902,839	35,902,839	0	100%
In kind contributions from County government	716,268,895	0	716,268,895	716,268,895	0	100%
Transfers to County Revenue fund a/c & exemptions	255,093,539	0	255,093,539	255,093,539	0	100%

**Kitui County Referral Hospital (Kitui County Government)**

**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2024**

Grants from donors and development partners	46,300,000	0	46,300,000	46,300,000	0	100%
Finance costs	-	-	-	-	-	%
Refunds	-	-	-	-	-	%
<b>Total expenditure</b>	<b>1,210,245,968</b>	<b>0</b>	<b>1,210,245,968</b>	<b>1,210,245,968</b>	<b>0</b>	<b>100%</b>
<b>Surplus for the period</b>	<b>1,963,106</b>	<b>0</b>	<b>1,963,106</b>	<b>(68,660)</b>	<b>2,031,766</b>	<b>-3%</b>
<b>Capital expenditure</b>	-	-	-	-	-	%


**Budget notes**


1. Provide an explanation of differences between actual and budgeted amounts (any over/ 90% under) IPSAS 24.14
2. Provide an explanation of changes between the original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)
3. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual) provide a reconciliation.)

The Hospital's financial statements were approved by the Board on 26.9.2024 and signed on its behalf by:

  
 .....  
**CHARLES MULANDI**  
 Chairman

**Board of Management**

  
 .....  
**CPA CEPHAS KIMWELE**  
 Head of Finance  
 ICPAK No: 31991

  
 .....  
**DR. MUNGAI JOHN**  
 Medical Superintendent

**19. Notes to the Financial Statements**

**1. General Information**

xxx entity is established by and derives its authority and accountability from xxx Act. The entity is wholly owned by the xxx County Government and is domiciled in xxx County in Kenya. The entity's principal activity is xxx.

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

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

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

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

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

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

<b>Standard</b>	<b>Effective date and impact:</b>
IPSAS 43	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 45- Property Plant and Equipment	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously</p>

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Standard	Effective date and impact:
	<p>excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
<p>IPSAS 46 Measurement</p>	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ul> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
<p>IPSAS 47- Revenue</p>	<p><b>Applicable 1<sup>st</sup> January 2026</b></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an 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.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
<p>IPSAS 48- Transfer</p>	<p><b>Applicable 1<sup>st</sup> January 2026</b></p> <p>The objective of the standard is to establish the principles that a transfer</p>

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<b>Standard</b>	<b>Effective date and impact:</b>
Expenses	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. <i>State the expected impact of the standard to the Entity if relevant</i>
IPSAS 49- Retirement Benefit Plans	<b><i>Applicable 1<sup>st</sup> January 2026</i></b> 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. <i>State the expected impact of the standard to the Entity if relevant</i>

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

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

**4. Summary of Significant Accounting Policies**

**a. Revenue recognition**

**i) Revenue from non-exchange transactions**

**Transfers from other Government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the *Entity* and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the asset that has been acquired using such funds.

**ii) Revenue from exchange transactions**

**Rendering of services**

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

**Sale of goods**

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

**Interest income**

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

**Rental income**

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

**b. Budget information**

The original budget for FY 2023/2024 was approved by Board on **26/09/2024**. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the *entity* recorded additional appropriations of **xxxx** on the FY **xxx** budget following the Board's approval. The *entity's* budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page 7 under section **18** 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 xxx years. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of derecognition. Transfers are made to or from investment property only when there is a change in use.

**e. Property, plant and equipment**

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

**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.

**h. Research and development costs**

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

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

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

**i. Financial instruments**

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The 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.

### **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 in *Note xx*.

**Financial liabilities**

**Classification**

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

**j. Inventories**

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

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

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

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

**k. Provisions**

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

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

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

**l. Social Benefits**

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

**m. Contingent liabilities**

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

**n. Contingent assets**

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

**o. Nature and purpose of reserves**

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

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

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

**q. Employee benefits**

**Retirement benefit plans**

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

**r. Foreign currency transactions**

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

**s. Borrowing costs**

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

**t. Related parties**

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

**u. Service concession arrangements**

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

**v. Cash and cash equivalents**

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

**w. Comparative figures**

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

**x. Subsequent events**

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

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

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

### **Estimates and assumptions.**

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

### **Useful lives and residual values**

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

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

### **Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx. Provisions are measured at the management's best estimate of the expenditure required to

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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).*

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**Notes to Financial Statements Continued**

**6. Transfers from the County Government**

Description	2023/2024	2022/2023
	KShs	KShs
<b>Unconditional grants</b>		
Operational grant	xxx	Xxx
Level 4/5 grants	xxx	Xxx
Unconditional development grants	xxx	Xxx
Other grants-Hospital transfers	166,608,449	209,981,019.00
	<b>166,608,449</b>	<b>209,981,019.00</b>
<b>Conditional grants</b>		
User fee forgone	xxx	Xxx
Transforming health services for Universal care project (THUCP)	xxx	Xxx
DANIDA	xxx	Xxx
Wards Development grant	xxx	Xxx
Paediatric block grant	xxx	Xxx
Administration block grant	xxx	Xxx
Laboratory grant	xxx	Xxx
<b>Total government grants and subsidies</b>	<b>xxx</b>	<b>Xxx</b>

**6 b Transfers from The County Government**

Name of the Entity sending the grant	Amount recognized to Statement of financial performance* KShs 2023/2024	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	2022/2023
			KShs	KShs	KShs
Kitui County Government	166,608,449	0	0	0	209,981,019.00
<b>Total</b>	<b>166,608,449</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>209,981,019.00</b>

*(Ensure that the amount recorded above as having been received from the County fully reconciles to the amount recorded by the amount recorded as transferred by the County. An acknowledgement note/receipt should be raised in favour of the sending County Government. The details of the reconciliation have been included under appendix III).*

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*\*Amount recognised in the statement of financial performance should be the recurrent grant and the development grant to the extent that there are no conditions attached. Total of column 1 should tie to note 6(the part on unconditional grants).*

Notes to Financial Statements Continued

**7. In Kind Contributions from The County Government**

Description	Insert Current FY	Insert Comparative FY
	KShs	KShs
Salaries and wages	604,690,578	514,194,269
Medical supplies-Drawings Rights (KEMSA)	26,789,353	-
Pharmaceuticals and Non-Pharmaceutical Supplies (other suppliers)	91,267,910	69,363,502
Utility bills	19,427,479	-
<b>Total grants in kind</b>	<b>742,175,320</b>	<b>583,557,771</b>

*(These include payments made directly by the County Governments for staff salaries and medical drugs. These should be recorded both as income and expense for completeness of financial statements)*

**8. Grants From Donors and Development Partners**

Description	2023/2024	2022/2023
	KShs	KShs
Construction and equipping of Cancer Centre (CMMB)	25,000,000	0
Construction and equipping of New born Unit	21,300,000	0
<b>Total grants from development partners</b>	<b>46,300,000</b>	<b>0</b>

*These were fully donor funded projects.*

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

Name of the Entity sending the grant	Amount recognized to Statement of financial performance	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	2022/2023
	KShs	KShs	KShs	KShs	KShs
Donor-CMMB	46,300,000	0	0	46,300,000	0
<b>Total</b>	<b>46,300,000</b>	<b>0</b>	<b>0</b>	<b>46,300,000</b>	<b>0</b>

9. Transfers From Other Government Entities

Description	2023/2024	2022/2023
	KShs	KShs
Transfer from National Government (Ministry of Health)	xxx	Xxx
Transfer from xxx National Hospital	xxx	Xxx
Transfer from xxx Institute	xxx	Xxx
<b>Total Transfers</b>	<b>xxx</b>	<b>Xxx</b>

10. Public Contributions and Donations

Description	2023/2024	2022/2023
	KShs	KShs
Donations from other international organisations and individuals	KShs	KShs
	xxx	xxx
<b>Total donations and sponsorships</b>	<b>xxx</b>	<b>xxx</b>

(Provide brief explanation for this revenue)

10 (a) Reconciliations of amortised grants

Description	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
<b>Balance unspent at beginning of year</b>	<b>xxx</b>	<b>xxx</b>
Current year receipts	xxx	xxx
Amortised and transferred to revenue	xxx	xxx
<b>Conditions to be met – remain liabilities</b>	<b>xxx</b>	<b>xxx</b>

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**Notes to Financial Statements Continued**

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

Description	2023/2024	2022/2023
	Kshs	Kshs
Pharmaceuticals	6,077,113.00	0
Laboratory	4,282,930.00	0
Radiology (X-ray, Ecg, Echo, Ultra sound)	11,305,910.00	0
Orthopedic and Trauma Technology/Plaster	648,375.00	0
Inpatient (Non-pharms, Maternity, NBU, ICU)	120,776,756.00	0
Outpatient (Medical Exam, Accident & emergency, Nutrition, Records)	4,578,558.00	0
Physiotherapy	36,990.00	0
Dialysis	11,276,500.00	0
Theatre (Anesthesia Service)	8,318,900.00	0
Amenity (Outpatient & Inpatient)	76,386,586.00	0
Eye clinic	2,619,580.00	0
Ear Nose and Throat service	91,265.00	0
Cancer centre service	458,022.00	0
Dental services	374,585.00	0
Reproductive health/Paediatrics/ Antenatal clinic & Mother Child Care	3,475,550.00	0
Farewell home services (Mortuary services).	4,385,919.00	0
Insurances (Nhif, Aon minet, Britam, Corporate, Kchic).	-	151,270,027
M-pesa	-	36,597,635
Exemptions/Waivers	-	20,727,177
<b>Total revenue from the rendering of services</b>	<b>255,093,539</b>	<b>208,494,839</b>

*(Other medical services fee relates to other charges not listed above and should be specified)*

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

**12. Revenue From Rent of Facilities**

Description	2023/2024	2022/2023
	Kshs	Kshs
Residential property	Xxx	xxx
Commercial property	Xxx	xxx
<b>Total Revenue from rent of facilities</b>	<b>Xxx</b>	<b>xxx</b>

*(Provide brief explanation for this revenue)*

**13. Finance /Interest Income**

Description	2023/2024	2022/2023
	Kshs	Kshs
Interest income from Cash investments and fixed deposits	xxx	xxx
Interest income from short- term/ current deposits	xxx	xxx
Interest income from Treasury Bills	xxx	xxx
Interest income from Treasury Bonds	xxx	xxx
Interest from outstanding debtors	xxx	xxx
<b>Total finance income</b>	<b>xxx</b>	<b>xxx</b>

*(Provide brief explanation for this revenue)*

**14. Miscellaneous Income**

Description	2023/2024	2022/2023
	KShs	KShs
Insurance recoveries	xxx	xxx
Income from sale of tender	xxx	xxx
Services concession income	xxx	xxx
Sale of goods (water, publications, containers etc)	xxx	xxx
Write backs (Deposits, payments in advance etc)	xxx	xxx
Bad debts recovered	xxx	xxx
<i>Others (Specify)</i>	xxx	xxx
<b>Total Miscellaneous income</b>	<b>xxx</b>	<b>xxx</b>

*(NB: All income should be classified as far as possible in the relevant classes and miscellaneous income should be used to recognise income not elsewhere classified).*

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

**15. Medical/ Clinical Costs**

Description	2023/2024	2022/2023
	Kshs	Kshs
Dental costs/ materials	400	99,600
Laboratory chemicals and reagents	2,650,570	5,579,690
Food and Ration	23,857,000	23,037,076
Dressing and Non-Pharmaceuticals	5,481,490	20,336,290
Pharmaceutical supplies	4,802,235	12,128,406
Health information stationery	2,720,480	3,549,850
Sanitary and cleansing Materials	1,952,905	4,562,835
Purchase of Medical gases	1,005,918	1,884,902
X-Ray/Radiology supplies	608,000	2,974,500
<b>Total medical/ clinical costs</b>	<b>43,078,998</b>	<b>74,153,149</b>

*(Other medical/clinical related costs refers to all other costs involved in management of the patients directly not analysed above.)*

**16. Employee Costs**

Description	2023/2024	2022/2023
	Kshs	Kshs
Salaries, wages, and allowances	73,801,100	64,993,012
Staff medical expenses and Insurance cover	1,741,600	1,196,250
Social contribution	3,354,878	1,146,604
<b>Employee costs</b>	<b>78,897,578</b>	<b>67,335,866</b>

*(Social contribution relates to expenses incurred by the employer towards social welfare of Employees)*

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

**17. Board of Management Expenses**

Description	2023/2024	2022/2023
	Kshs	Kshs
Sitting allowance	201,900	919,090
<b>Total</b>	<b>201,900</b>	<b>919,090</b>

**18. Depreciation and Amortization Expense**

Description	2023/2024	2022/2023
	Kshs	Kshs
Property, plant and equipment	xxx	Xxx
Intangible assets	xxx	Xxx
Investment property carried at cost	xxx	Xxx
<b>Total depreciation and amortization</b>	<b>xxx</b>	<b>Xxx</b>

**19. Repairs And Maintenance**

Description	2023/2024	2022/2023
	Kshs	Kshs
Property- Buildings	2,870,441	3,549,431
Medical equipment	365,361	89,086
Office equipment	869,510	598,830
Furniture and fittings	100,660	250,000
Computers and accessories	600,000	900,000
Motor vehicle expenses	1,662,164	1,360,036
Plant and machinery	1,890,147	924,345
Kitchen installation and appliances	237,511	922,160
<b>Total repairs and maintenance</b>	<b>8,595,794</b>	<b>8,593,888</b>

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

**20. Grants And Subsidies**

Description	2023/2024	2022/2023
	Kshs	Kshs
Community development and social work	xxx	Xxx
Education initiatives and programs	xxx	Xxx
Free/ subsidised medical camp	xxx	Xxx
Disability programs	xxx	Xxx
Free cancer screening	xxx	Xxx
Social benefit expenses	xxx	Xxx
Other grants and subsidies( <i>specify</i> )	xxx	Xxx
<b>Total grants and subsidies</b>	<b>xxx</b>	<b>Xxx</b>

*Social benefit schemes include benefits such as cash transfers for unemployment or elderly in line with IPSAS 42.*

**21. General Expenses**

Description	2023/2024	2022/2023
	Kshs	Kshs
Catering expenses	485,000	1,573,700
Bank charges	7,940	14,271
Contracted services	12,784,740	17,164,070
Electricity expenses	500,000	2,738,608
Fuel and Lubricants	5,874,450	5,618,007
Travel and accommodation allowance	4,358,700	981,000
Printing and stationery	3,324,375	4,385,298
Water and sewerage costs	1,800,000	1,826,000
Telephone and mobile phone services	517,970	414,220
Internet expenses	72,000	-
Daily subsistence allowances	5,782,764	6,112,881
Tailoring services	120,900	140,000
Branding and signage	50,000	100,000

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Description	2023/2024	2022/2023
	Kshs	Kshs
Firefighting services	224,000	-
<b>Total General Expenses</b>	<b>35,902,839</b>	<b>41,068,055</b>

**22. Finance Costs**

Description	2023/2024	2022/2023
	KShs	KShs
Borrowings (amortized cost) *	xxx	xxx
Finance leases (amortized cost)	xxx	xxx
Interest on Bank overdrafts/Guarantees	xxx	xxx
Interest on loans from commercial banks	xxx	xxx
<b>Total finance costs</b>	<b>xxx</b>	<b>xxx</b>

*(Borrowing costs that relate to interest expense on acquisition of non-current assets and do not qualify for Capitalisation as per IPSAS 5: on borrowing costs should be included under this note.)*

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

Description	2023/2024	2022/2023
	KShs	KShs
Property, plant, and equipment	xxx	xxx
Intangible assets	xxx	xxx
Other assets not capitalised ( <i>specify</i> )	xxx	xxx
<b>Total gain on sale of assets</b>	<b>xxx</b>	<b>xxx</b>

**24. Unrealized Gain On Fair Value Investments**

Description	2023/2024	2022/2023
	KShs	KShs
Investments at fair value	xxx	xxx
<b>Total gain</b>	<b>xxx</b>	<b>xxx</b>

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

**25. Medical Services Contracts Gains /Losses**

Description	2023/2024	2022/2023
	KShs	KShs
Comprehensive care contracts with NHIF	xxx	xxx
Non- Comprehensive contracts care with NHIF	xxx	xxx
Linda Mama Program	xxx	xxx
Waivers and Exemptions	xxx	xxx
<b>Total Gain/Loss</b>	<b>xxx</b>	<b>xxx</b>

**26. Impairment Loss**

Description	2023/2024	2022/2023
	KShs	KShs
Property, plant, and equipment	xxx	xxx
Intangible assets	xxx	xxx
Investments	xxx	xxx
<b>Total impairment loss</b>	<b>xxx</b>	<b>xxx</b>

**27. Cash And Cash Equivalents**

Description	2023/2024	2022/2023
	KShs	KShs
Current accounts- 1 <sup>ST</sup> July	331	516,415
On - call deposits	0	0
Fixed deposits accounts	0	0
Cash in hand	0	0
Others( <i>specify</i> )- Mobile money	0	0
<b>Total cash and cash equivalents</b>	<b>331</b>	<b>516,415</b>

*(The amount should agree with the closing and opening balances as included in the statement of cash flows)*

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

Description		2023/2024	2022/2023
Financial institution	Account number	KShs	KShs
<b>a) Current account</b>			
CO-OPERATIVE BANK- 30 <sup>TH</sup> JUNE	01141303838201	331	516,415
CO-OPERATIVE BANK- 30 <sup>TH</sup> JUNE		0	0
<b>Sub- total</b>		<b>331</b>	<b>516,415</b>
<b>b) Others(specify)</b>			
cash in hand		0	0
Mobile money- Mpesa, Airtel money		0	0
<b>Sub- total</b>		<b>0</b>	<b>0</b>
<b>Grand total</b>		<b>331</b>	<b>516,415</b>

28. Receivables From Exchange Transactions

Description	2023/2024	2022/2023
	KShs	KShs
Medical services receivables	50,521,536	7,792,706
Rent receivables	0	0
Other exchange debtors	0	0
Less: impairment allowance	0	0
<b>Total receivables</b>	<b>50,521,536</b>	<b>7,792,706</b>

(Entity to state the expected credit loss rates for various categories of its receivables. The entity should also disclose how ECL was arrived at in line with provisions of IPSAS 41.)

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**Analysis of Receivables From Exchange Transactions**

Description	2023/2024		2022/2023	
	Kshs		Kshs	
	2023/2024	% of the total	2022/2023	% of the total
Less than 1 year	50,521,536	%	7,792,706	100%
Between 1- 2 years	0	%	-	%
Between 2-3 years	0	%	-	%
Over 3 years	0	%	-	%
<b>Total (a+b)</b>	<b>50,521,536</b>	<b>%</b>	<b>7,792,706</b>	<b>100%</b>

**29. Receivables From Non-Exchange Transactions**

Description	2023/2024	2022/2023
	KShs	KShs
Transfers from the County Government	0	17,677,180
Undisbursed donor funds	0	0
Other debtors ( <i>non-exchange transactions</i> )	0	0
Less: impairment allowance	0	0
<b>Total</b>	<b>0</b>	<b>17,677,180</b>

*(Undisbursed donor funds refer to funds expected where conditions for disbursements have been met by the recipient as at the reporting date)*

**Analysis of Receivables From Non-Exchange Transactions**

Description	2023/2024		2022/2023	
	Kshs		Kshs	
	2023/2024	% of the total	2022/2023	% of the total
Less than 1 year	0	%	17,677,180	100%
Between 1- 2 years	0	%	-	%
Between 2-3 years	0	%	-	%
Over 3 years	0	%	-	%
<b>Total (a+b)</b>	<b>0</b>	<b>%</b>	<b>17,677,180</b>	<b>100%</b>

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**30. Inventories**

Description	2023/2024	2022/2023
	KShs	KShs
Pharmaceutical supplies	37,246,114	9,513,328
Non-pharmaceutical supplies	-	7,622,345
Maintenance supplies	-	1,062,340
Food supplies	204,463	236,235
Linen and clothing supplies	3,870,484	4,501,186
Laboratory reagents	1,572,913	950,157
Radiology consumables	-	1,252,652
Rural stores	914,874	-
Renal consumables	1,732,950	-
Cleaning materials supplies	-	-
General supplies	144,447	140,328
Less: provision for impairment of stocks	-	-
<b>Total</b>	<b>45,686,245</b>	<b>25,278,571</b>

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**31. Property, Plant and Equipment**

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
<b>Cost</b>								
At 1 July 20XX (previous year)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Additions	xxx	xxx	xxx	xxx	-	-	xxx	xxx
Disposals	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)
Transfers/adjustments	xxx	xxx	(xxx)	xxx			xxx	(xxx)
<b>At 30<sup>th</sup> Jun 20XX</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>
At 1 July 20XX (current year)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Additions	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Disposals	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)
Transfer/adjustments		xxx		xxx			(xxx)	-
<b>At 30<sup>th</sup> Jun 20XX</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>
<b>Depreciation and impairment</b>								
At 1 July 20XX (previous year)		xxx	xxx	xxx	xxx	xxx		xxx
Depreciation for the year		xxx	xxx	xxx	xxx	xxx		xxx
Disposals		(xxx)	(xxx)	(xxx)	(xxx)	(xxx)		(xxx)
Impairment		(xxx)	(xxx)	(xxx)	(xxx)	(xxx)		(xxx)
<b>At 30 June 20XX</b>		<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>		<b>xxx</b>

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<b>Description</b>	<b>Land</b>	<b>Buildings and Civil works</b>	<b>Motor vehicles</b>	<b>Furniture, fittings, and office equipment</b>	<b>ICT Equipment</b>	<b>Plant and medical equipment</b>	<b>Capital Work in progress</b>	<b>Total</b>
At July 20XX (current year)		xxx	xxx	xxx	xxx	xxx		xxx
Depreciation		xxx	xxx	xxx	xxx	xxx		xxx
Disposals		(xxx)	(xxx)	(xxx)	(xxx)	(xxx)		(xxx)
Impairment		(xxx)	(xxx)	(xxx)	(xxx)	(xxx)		(xxx)
Transfer/adjustment		xxx	-	xxx	-	-	(xxx)	(xxx)
<b>At 30<sup>th</sup> June 20XX</b>		xxx	xxx	xxx	xxx	xxx	xxx	xxx
<b>Net book values</b>								
At 30 <sup>th</sup> Jun 20XX (previous)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
At 30 <sup>th</sup> Jun 20XX (current)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx

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

**32. Intangible Assets-Software**

Description	2023/2024	2022/2023
	KShs	KShs
<b>Cost</b>		
<b>At beginning of the year</b>	xxx	Xxx
Additions	xxx	Xxx
Additions-Internal development	xxx	Xxx
Disposal	(xxx)	(xxx)
<b>At end of the year</b>	<b>xxx</b>	<b>Xxx</b>
<b>Amortization and impairment</b>		
<b>At beginning of the year</b>	xxx	Xxx
Amortization for the period	xxx	Xxx
Impairment loss	xxx	Xxx
<b>At end of the year</b>	xxx	Xxx
<b>NBV</b>	<b>xxx</b>	<b>Xxx</b>

**33. Investment Property**

Description	2023/2024	2022/2023
	KShs	KShs
<b>At beginning of the year</b>	<b>xxx</b>	<b>Xxx</b>
Additions	xxx	Xxx
Disposals during the year	(xxx)	(xxx)
Fair value gain	xxx	Xxx
Depreciation ( <i>where investment property is at cost</i> )	(xxx)	(xxx)
Impairment	(xxx)	(xxx)
<b>At end of the year</b>	<b>xxx</b>	<b>Xxx</b>

*(For investment property held at fair value, changes in fair value should go through the statement of financial performance. Where cost model is elected, depreciation and impairment should not be charged. Investment measured at fair value should be evaluated at the end of the reporting period for changes in fair value.). Entity should disclose the independent valuers, rental income from the investment property if any and the direct costs attributed to the investment property. Any charges on the investment property as well as any difficulty in classifying this asset as an investment property.*

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

**34. Trade and other Payables**

Description	2023/2024		2022/2023	
	KShs		KShs	
Trade payables	14,153,305		2,144,300	
Employee dues	-		-	
Third-party payments (e.g. unremitted payroll deductions)	2,506,038		-	
Audit fee	-		-	
Doctors' fee	-		-	
<b>Total trade and other payables</b>	<b>16,659,343</b>		<b>2,144,300</b>	
<b>Ageing analysis:</b>	<b>2023/2024</b>	<b>% of the Total</b>	<b>2022/2023</b>	<b>% of the total</b>
Under one year	13,208,649	79%	2,144,300	100%
1-2 years	3,450,694	21%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
<b>Total</b>	<b>16,659,343</b>	<b>100%</b>	<b>2,144,300</b>	<b>100%</b>

**35. Refundable Deposits from Customers/Patients**

Description	2023/2024		2022/2023	
	KShs		KShs	
Medical fees paid in advance	xxx		xxx	
Credit facility deposit	xxx		xxx	
Rent deposits	xxx		xxx	
Others (specify)	xxx		xxx	
<b>Total deposits</b>	<b>xxx</b>		<b>xxx</b>	
<b>Ageing analysis:</b>	<b>Current FY</b>	<b>% of the Total</b>	<b>Comparative FY</b>	<b>% of the Total</b>
Under one year	xxx	%	xxx	%
1-2 years	xxx	%	xxx	%
2-3 years	xxx	%	xxx	%
Over 3 years	xxx	%	xxx	%

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Total	xxx	%	xxx	%
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**Notes to the Financial Statements (Continued)**

**36. Provisions**

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

**37. Finance Lease Obligation**

Description	2023/2024	2022/2023
	Kshs	Kshs
Current Lease obligation	xxx	xxx
Long term lease obligation	xxx	xxx
<b>Total</b>	<b>Xxx</b>	<b>xxx</b>

**38. Deferred Income**

Description	Insert Current FY	Insert Comparative FY
	KShs	KShs
Current Portion	xxx	xxx
Non-Current Portion	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>

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Notes to the Financial Statements (Continued)

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

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

39. Borrowings

Description	2023/2024	2022/2023
	KShs	KShs
<b>Balance at beginning of the period</b>	xxx	xxx
External borrowings during the year	xxx	xxx
Domestic borrowings during the year	xxx	xxx
Repayments of external borrowings during the year	(xxx)	(xxx)
Repayments of domestic borrowings during the year	(xxx)	(xxx)
<b>Balance at end of the period</b>	xxx	xxx

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

Description	2023/2024	2022/2023
	KShs	KShs
Current Obligation	Xxx	xxx
Non-Current Obligation	Xxx	xxx
<b>Total</b>	<b>Xxx</b>	<b>xxx</b>

(Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed).

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

**40. Service Concession Arrangements**

Description	2023/2024	2022/2023
	KShs	KShs
Fair value of service concession assets recognized under PPE	xxx	xxx
Accumulated depreciation to date	(xxx)	xxx
Net carrying amount	<u>xxx</u>	<u>xxx</u>
Service concession liability at beginning of the year	xxx	xxx
Service concession revenue recognized	(xxx)	(xxx)
Service concession liability at end of the year	<u>xxx</u>	<u>xxx</u>

**41. Social Benefits**

Description	2023/2024	2022/2023
	Kshs	Kshs
Health social benefit scheme	xxx	xxx
Unemployment social benefit scheme	xxx	xxx
Orphaned and vulnerable benefit scheme	xxx	xxx
People Living with Disabilities benefit Scheme	xxx	xxx
Elderly social benefit scheme	xxx	xxx
Bursary social benefits	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>
Current social benefits	xxx	xxx
Non- current social benefits	xxx	xxx
<b>Total (tie to totals above)</b>	<b>xxx</b>	<b>xxx</b>

*Social benefit schemes include benefits such as cash transfers for unemployment or elderly in line with IPSAS 42. They are incurred to mitigate against a certain social risk e.g poverty, age, unemployment among others.*

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**42. Cash Generated from Operations**

Description	2023/2024	2022/2023
	KShs	KShs
Surplus for the year before tax	-	-
<b>Adjusted for:</b>	-	-
Depreciation	-	-
Non-cash grants received	-	-
Impairment	-	-
Gains and losses on disposal of assets	-	-
Contribution to provisions	-	-
Contribution to impairment allowance	-	-
<b>Working Capital adjustments</b>	-	-
Increase in inventory	-	-
Increase in receivables	-	-
Increase in deferred income	-	-
Increase in payables	-	-
Increase in payments received in advance	-68,660	17,910,971
<b>Net cash flow from operating activities</b>	<b>(68,660)</b>	<b>17,910,971</b>

*(The total of this statement should tie to the cash flow section on net cash flows from/ used in operations)*

**43. Financial Risk Management**

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

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

**(i) Credit risk**

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 20XX (previous year)				
Receivables from exchange transactions	xxx	xxx	xxx	xxx
Receivables from –non-exchange transactions	xxx	xxx	xxx	xxx
Bank balances	xxx	xxx	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>
At 30 June 20XX (current year)				
Receivables from exchange transactions	xxx	xxx	xxx	xxx
Receivables from –non-exchange transactions	xxx	xxx	xxx	xxx
Bank balances	xxx	xxx	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>

*(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)*

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

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

**(ii) Liquidity risk management**

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 20xx</b>				
Trade payables	xxx	xxx	xxx	xxx
Current portion of borrowings	xxx	xxx	xxx	xxx
Provisions	xxx	xxx	xxx	xxx
Deferred income	xxx	xxx	xxx	xxx
Employee benefit obligation	xxx	xxx	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>
<b>At 30 June 20xx</b>				
Trade payables	xxx	xxx	xxx	xxx
Current portion of borrowings	xxx	xxx	xxx	xxx
Provisions	xxx	xxx	xxx	xxx
Deferred income	xxx	xxx	xxx	xxx
Employee benefit obligation	xxx	xxx	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>

**(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**

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

Description	KShs	Other currencies	Total
	Kshs		Kshs
<b>At 30 June 20xx</b>			
Financial assets (investments, cash, debtors)	xxx	xxx	xxx
Liabilities			
Trade and other payables	xxx	xxx	xxx
Borrowings	xxx	xxx	xxx
Net foreign currency asset/(liability)	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>

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.

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

Description	KShs	Other currencies	Total
	Kshs		Kshs
<b>At 30 June 20xx</b>			
Financial assets (investments, cash, debtors)	xxx	xxx	xxx
Liabilities			
Trade and other payables	xxx	xxx	xxx
Borrowings	xxx	xxx	xxx
Net foreign currency asset/(liability)	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>

**Foreign currency sensitivity analysis**

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

Description	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
<b>20XX (previous year)</b>			
Euro	10%	xxx	xxx
USD	10%	xxx	xxx
<b>20XX (current year)</b>			
Euro	10%	xxx	xxx
USD	10%	xxx	xxx

**b) Interest rate risk**

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

**Management of interest rate risk**

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

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

**Sensitivity analysis**

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of financial performance if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs xxx (20xx: KShs xxx). A rate increase/decrease of 5% would result in a decrease/increase in surplus of KShs xxx (20xx – KShs xxx).

**iv) Capital Risk Management**

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

Description	Current Period	Comparative Period
	Kshs	Kshs
Revaluation reserve	xxx	xxx
Retained earnings	xxx	xxx
Capital reserve	xxx	xxx
<b>Total funds</b>	xxx	xxx
Total borrowings	xxx	xxx
Less: cash and bank balances	(xxx)	(xxx)
Net debt/ ( <i>excess cash and cash equivalents</i> )	xxx	xxx
<b>Gearing</b>	xx%	xx%

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

**44. Related Party Balances**

**Nature of related party relationships**

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

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

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

Description	2023/2024	2022/2023
	Kshs	Kshs
<b>Transactions with related parties</b>		
<b>a) Services offered to related parties</b>		
Services to xxx	xxx	xxx
Sales of services to xxx	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>
<b>b) Grants from the Government</b>		
Grants from County Government	xxx	xxx
Grants from the National Government Entities	xxx	xxx
Donations in kind	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>
<b>c) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for xxx employees	xxx	xxx
Payments for goods and services for xxx	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>

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Description	2023/2024	2022/2023
	Kshs	Kshs
<b>d) Key management compensation</b>		
Directors' emoluments	xxx	xxx
Compensation to the medical Sup	xxx	xxx
Compensation to key management	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>

**45. Segment Information**

*(Where an organisation operates in different geographical regions or in departments, IPSAS 18 on segmental reporting requires an entity to present segmental information of each geographic region or department to enable users understand the entity's performance and allocation of resources to different segments)*

**46. Contingent Liabilities**

Contingent liabilities	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
Court case xxx against the hospital	xxx	xxx
Bank guarantees in favour of subsidiary	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>

*(Give details)*

**47. Capital Commitments**

Capital Commitments	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
Authorised For	xxx	xxx
Authorised And Contracted For	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>

*(NB: Capital commitments are commitments to be carried out in the next financial year and are disclosed in accordance with IPSAS 17. Capital commitments may be those that have been authorised by the board but at the end of the year had not been contracted or those already contracted for and ongoing)*

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**48. Events after the Reporting Period**

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

**49. Ultimate and Holding Entity**

The entity is a State Corporation/ or a Semi- Autonomous Government Agency under the Department of xxx. Its ultimate parent is the County Government of XXX.

**50. Currency**

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

20. Appendices

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

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

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

**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 for the 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

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**Appendix II: Projects Implemented by The Kitui Referral Hospital**

**Projects**

Projects implemented by the Hospital Funded by development partners

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1						
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							
2							
3							

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

COUNTY GOVERNMENT OF KITUI

KITUI COUNTY REFERRAL HOSPITAL

<b>Confirmation of amounts received by Kitui County Referral Hospital as at 30<sup>th</sup> June 2024</b>					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
0001090103	14/08/2023	2,754,160	0	2,754,160	
0001090102	14/08/2023	11,000,000	0	11,000,000	
0001091129	13/09/2023	10,800,000	0	10,800,000	
0001091130	13/09/2023	2,700,000	0	2,700,000	
0001091942	29/09/2023	2,700,000	0	2,700,000	
0001091941	29/09/2023	10,800,000	0	10,800,000	
0001092498	13/10/2023	2,304,150	0	2,304,150	
0001093317	27/10/2023	10,800,000	0	10,800,000	
0001093322	27/10/2023	2,700,000	0	2,700,000	
0001094486	29/11/2023	1,712,000	0	1,712,000	
0001094587	1/12/2023	10,800,000	0	10,800,000	
0001094653	1/12/2023	2,700,000	0	2,700,000	
0001095092	22/12/2023	18,022,939	0	18,022,939	
0001095891	4/1/2024	10,800,000	0	10,800,000	
0001095877	4/1/2024	2,700,000	0	2,700,000	
0001097615	2/2/2024	2,700,000	0	2,700,000	
0001097614	2/2/2024	10,800,000	0	10,800,000	


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0001097735	9/2/2024	1,685,600	0	1,685,600
0001098965	6/3/2024	10,800,000	0	10,800,000
0001098966	6/3/2024	2,700,000	0	2,700,000
0001098995	6/3/2024	545,000	0	545,000
0001098996	8/3/2024	1,700,000	0	1,700,000
0001099823	4/4/2024	2,700,000	0	2,700,000
0001099822	4/4/2024	10,800,000	0	10,800,000
0001099917	4/4/2024	1,700,000	0	1,700,000
0001100627	16/5/2024	2,700,000	0	2,700,000
0001100626	16/5/2024	10,800,000	0	10,800,000
0001100418	16/5/2024	1,700,000	0	1,700,000
0001100147	16/5/2024	168,000	0	168,000
0001100145	16/5/2024	342,000	0	342,000
0001100816	30/05/2024	1,474,600	0	1,474,600
	<b>TOTAL</b>	<b>166,608,449</b>	<b>0</b>	<b>166,608,449</b>

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

**Head of Accounts Department - Disbursing Entity:**

Name CPA Amantayus Sign  Date 30.6.2024

**Head of Accounts Department - Beneficiary Entity:**

Name CPA CEPHAS Sign  Date 30/6/2024

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**Appendix IV Reporting of Climate Relevant Expenditures**

Project Name	Project Description	Project Objectives	Project Activities	Quarter				Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

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**Appendix V: Disaster Expenditure Reporting Template**

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