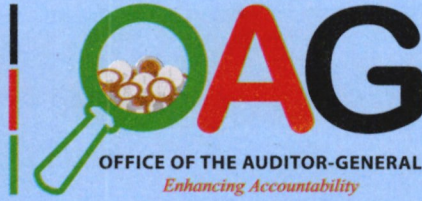


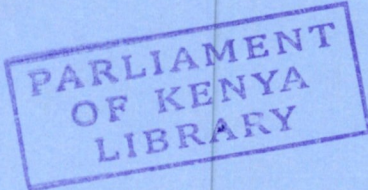
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OFFICE OF THE AUDITOR-GENERAL  
*Enhancing Accountability*



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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**JM KARIUKI MEMORIAL  
COUNTY REFERRAL LEVEL 4 HOSPITAL  
NYANDARUA COUNTY GOVERNMENT**

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



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**JM KARIUKI MEMORIAL COUNTY REFERRAL Level  
4 HOSPITAL  
(Nyandarua County Government)**

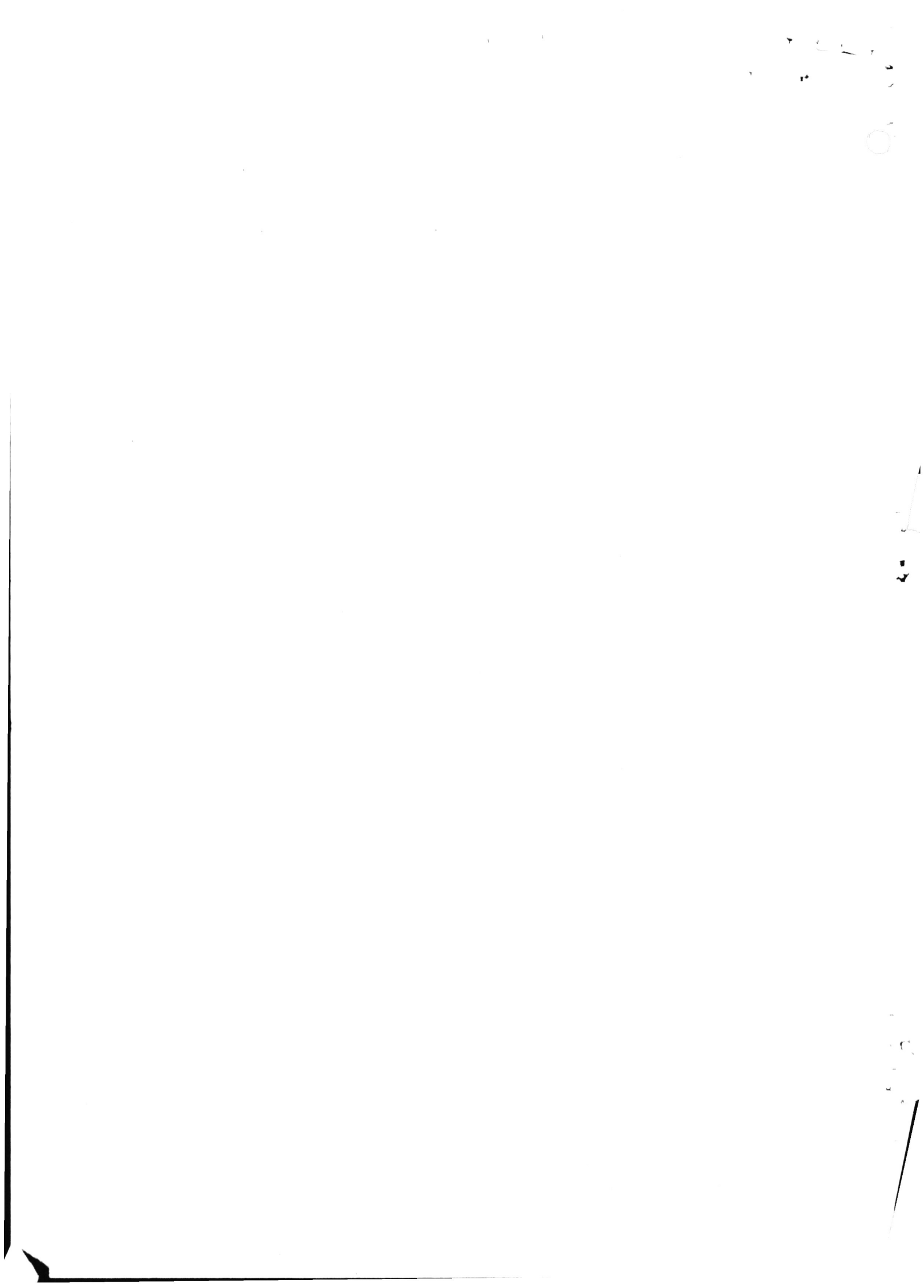
**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2025**

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





*JM Kariuki Memorial County Referral Hospital (Nyandarua County Government)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025*

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## **1. Acronyms & Glossary of Terms**

CSR	Corporate Social Responsibility
OSHA	Occupational Health & Safety Act
HMB	Hospital Management Board
PPB	Pharmacy and Poisons Board
NEMA	National Environmental Management Authority
PFMA	Public Financial Management Act
MED SUP	Medical Superintendent
MES	Managed Equipment Services
MAKL	Medical Administrators Kenya Limited
HMB	Hospital Management Board
TAT	Turn Around Time
MOPC	Medical Outpatient clinic
SOPC	Surgical outpatient clinic
GOPC	Gynecologist outpatient clinic
OOPC	Orthopedic Outpatient Clinic
POPC	Paediatric outpatient clinic
PSYCH	Psychiatric
PAED	Paediatric
O.T	Occupation Therapy
NBU	New Born Unit
KMPDC	Kenya Medical Practitioners and Dentists Council
SHA	Social Health Authority

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WIBA	Workplace Injury Benefits Act
MBA	Master in business Administration
MCRH	Memorial County referral hospital
KMTC	Kenya Medical Training College
KECN	Kenya Enrolled Community Nurse
KRCHN	Kenya Registered community Health Nurse
SHA	Social Health insurance
CECM	County Executive Committee Member
ENT	Ear, Nose and Throat
NHIF	National Health Insurance Fund
FY	Financial year
AWP	Annual work plan
MAKL	Medical Administrators Kenya Limited
HMT	Hospital Management Team
H.E	His Excellency
SRC	Salary And Remuneration Commission
OPD	Outpatient Department
MCH	Maternal Child Health
ANC	Antenatal Care
CWC	Child Welfare Clinic
FP	Family Planning
PNC	Post Natal Care
ICU	Intensive Care Unit

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NBU	New Born Unit
PFM	Public Financial Management
SDG	Sustainable Development Goals
CME	Continuous Medical Education
HMB	Health/Hospital management Board
PS	Permanent Secretary

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

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

JM Kariuki Memorial County Referral Hospital is a level 4 hospital established under gazette notice number 1241 Vol CXIC no 24 of 24<sup>th</sup> February 2017, and is domiciled in Nyandarua County under the Health Services Department. The hospital is governed by a Board of Management.

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

The principal activity/mission/ mandate of the hospital is to provide healthcare services. These include curative, rehabilitative, disease prevention, and health promotion services.

#### **Vision statement**

A County free of preventable diseases and ill-health

#### **Mission Statement**

To offer affordable, accessible, sustainable quality health care services to all clients in Nyandarua County

#### **Strategic goal**

To transform JM Kariuki Memorial County Referral Hospital to a level five Hospital

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

- Direct accountability to the County Department of Health through the Director Medical Services
- Hospital management Board
- Hospital Management Team chaired by the Medical Superintendent
- Key advisory committees such as; Executive Expenditure Committee, Quality Management Team, Infection Prevention and Control, Hospital nutrition committee

**Fiduciary Management**

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

No.	Designation	Name
1.	Medical Superintendent	Dr. Beatrice Mugure
2.	Head of finance	CPA Anne Mbiyu
3.	Head of supply chain	Nathaniel Nguyai
4.	Hospital Administrator/Secretary	Karanja Maguta (Upto August 2024) Charles Kenyatta (From November 2024 up to date)
5.	Nursing Services Manager	Naomi Kituku

**(d) Fiduciary Oversight Arrangements**

- Clinical Research and Standards Committee- not existent
- Audit committee - Is a subcommittee of the hospital management board. Also doubles up as the finance subcommittee
- Risk Committee- is a function of the hospital management board quality subcommittee
- County Assembly - Through the health committee of the County assembly of Nyandarua.
- Parliamentary committees- as applicable especially for projects financed through the national

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

**(e) Entity Headquarters**

P.O. Box 221  
Olkalou/Nyahururu Road/Highway (c77)  
Olkalou, Kenya

**(f) Entity Contacts**

Telephone: (+254) 0733 685 480  
E-mail: jmkariukihosp@gmail.com

**(g) Entity Bankers**

Cooperative Bank of Kenya (Olkalou Branch)  
Kenya Commercial Bank (Olkalou Branch)

**(h) Independent Auditors**

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




**(i) Principal Legal Adviser**



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



**(j) County Attorney**

County Attorney  
Nyandarua County Government  
P.O. Box. 701  
Olkalou, Kenya



**3. The Board of Management**

Ref	Directors	Details
1.	<p>Dr. S. W. Kanyingi- Chairman</p> 	<p>A Veterinary surgeon, with a degree in Veterinary Medicine and Surgery from The University of Nairobi. Has extensive experience with board governance in other institutions including recently as chair of Naivasha County Hospital in Nakuru County and current Chairman of the Board of Management at Nyandarua High School.</p> <p><i>Resigned on: 14<sup>th</sup> March 2025</i></p>
2.	<p>Dr. John Mungai Kiarie- Member</p> 	<p>Holds a PhD in statistics and research. Retired high school principal</p> <p>Chairs the board finance and audit subcommittee</p>
3.	<p>Evalyne Gathieri- Member</p> 	<p>Chairperson of organizations for persons with disabilities Nyandarua County. A member of women challenged to challenge (WCC), she is a stakeholder of Nyandarua mobility and accessibility forum. Champion voice of the voiceless Nyandarua county</p>

<p>4.</p>	<p>Arch. Josam Kariuki- Member</p> 	<p>Has a Bachelors degree in conflict Management. Is an Archbishop with the Trinity Methodist church and also chairs the interfaith group in Nyandarua County. Has extensive experience with board governance including a stint with the former Nakuru District HMT.</p> <p>Chairs the board quality assurance subcommittee</p> <p><b>Ag. Chairman since 17<sup>th</sup> April 2025</b></p>
<p>5.</p>	<p>Jane kulet – Member</p> 	<p>Has a background in purchasing and supplies. Previously worked in Kenya Farmers Association as a purchasing officer</p> <p>Chairs the Infrastructure and Resource Mobilization subcommittee</p>

<p>6.</p>	<p>David Mutuota Ngugi- Member</p> 	<p>Diploma in Education Management- KICD Bachelor of Education- The University of Nairobi 2017 County Headteacher of the Year, Nyandarua County Retired senior graduate headteacher</p>
<p>7.</p>	<p>Samuel Mburu- Co-opted Member</p> 	<p>Samuel Mwangi Mburu is a Masters of Business Administration (MBA-Project Management option) graduate from Africa Nazarene University. He also holds a Bachelor of Arts Degree from the University of Nairobi.</p> <p>He is trained in Public Administration and Governance from Kenya Institute of Administration, Nairobi (Now KSG). He has 17 years in Public Administration and Governance having worked as District Officer in National Government and later Sub County Administrator in County Government of Nyandarua. He recently finished a course in Strategic Leadership Development Program from KSG.</p>

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8.	<p>Dr. Beatrice Mugure- Board Secretary</p> 	<p>Qualified as an MBA -Health Care Management, Strathmore Business School, Strathmore University</p> <p>Bachelor in Pharmacy, The University of Nairobi</p> <p>Accredited Mediator- Strathmore Dispute Resolution Centre</p> <p><b>Work experience</b></p> <p>2022 -up to date Medical superintendent JM Kariuki MCRH</p> <p>2008- 2022: Served in various capacities in the health ministry and departments within the public sector</p>
9	<p>Karanja Maguta</p> 	<p><b>Hospital Administrator/Secretary</b></p> <p>Holds a Bachelor of Arts degree and a postgraduate diploma in health services management. Has extensive experience in hospital administration. (Not a Certified Public Secretary)</p> <p><i>Retired in August 2024</i></p>
10	<p>Charles Kenyatta Muthengi</p>	<p><b>Hospital Administrator/Secretary</b></p>






Holds a Bachelor's degree in International relations and diplomacy, United States international university-Africa

Current post: Administrative Officer-  
County Government of Nyandarua

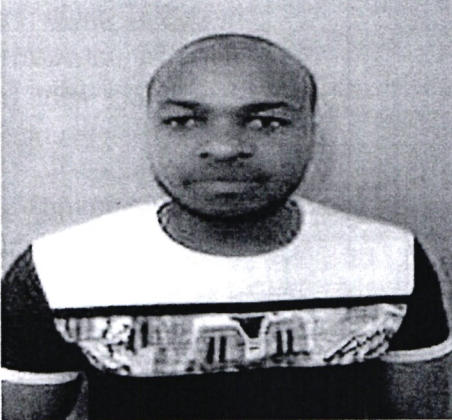

*From November 2024 to date*

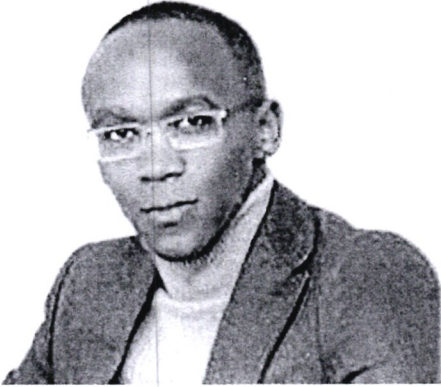

**4. Key Management Team**


Ref	Management	Details
1.	<p>Dr. Beatrice Mugure</p> 	<p><b>Medical Superintendent</b></p> <p>Qualified as an MBA -Health Care Management, Strathmore Business School, Strathmore University</p> <p>Bachelor in Pharmacy, The University of Nairobi</p> <p>Accredited Mediator- Strathmore Dispute Resolution Centre</p> <p><b>Work experience</b></p> <p>2022 -up to date Medical superintendent JM Kariuki MCRH</p> <p>2008- 2022: Served in various capacities in the Health ministry and departments within the public sector</p>

<p>2.</p>	<p>Karanja Maguta</p> 	<p><b>Hospital Administrator/Secretary</b></p> <p>Holds a Bachelor of Arts degree and a postgraduate diploma in health services management. Has extensive experience in hospital administration. (Not a Certified Public Secretary)</p> <p><i>Retired in August 2024</i></p>
<p>3.</p>	<p>Charles Kenyatta Muthengi</p> 	<p><b>Hospital Administrator/Secretary</b></p> <p>Holds a Bachelor’s degree in International relations and diplomacy, United States international university-Africa Current post: Administrative Officer-County Government of Nyandarua</p> <p><i>From November 2024 to date</i></p>

4.	<p>Dr. Aisha Mwatuwano</p> 	<p><b>Deputy Medical Superintendent and Head of Clinical Services</b></p> <p>Master in Family Medicine (2022) at University of Havana (Cuba)</p> <p>Bachelor of Medicine at University of Algiers, (Algeria)</p>
5.	<p>C.P.A Anne Mbiyu</p> 	<p><b>Hospital Accountant</b></p> <p>Holds a Bachelors of Art Degree (Mathematics and Economics)- Egerton University</p> <p>She is a Certified Public Accountant.</p>

<p>6.</p>	<p>Nathaniel Nguyai</p> 	<p><b>Hospital Supply Chain Officer</b></p> <p>Undergraduate in Bachelor Business Administration Management – St. Pauls University</p> <p>Holds a Diploma in Procurement and Supply Chain from the Technical University of Kenya.</p>
<p>7.</p>	<p>Naomi Kituku</p> 	<p><b>Hospital Nursing Service Manager</b></p> <p>Bachelor’s of Science in Nursing at Egerton University.</p> <p>Kenya Registered Community Health Nurse (KMTC)</p>

<p>8.</p>	<p>Dr. Peter Ndung'u</p> 	<p><b>Hospital Pharmacist</b></p> <p>Bachelor's Degree in Pharmacy at Kenyatta University (2016)</p>
<p>9.</p>	<p>Michael Ruitururi</p> 	<p><b>Deputy Nursing Services Manager</b></p> <p>Kenya Enrolled Community Nurse (KECN) PCEA Tumutumu School of Nursing</p> <p>Kenya Registered Community Health Nurse (KRCHN)- AMREF University</p> <p>Higher Diploma -Nephrology Nursing at Kenya Medical Training College(KMTC)</p>

10.	Dennis Mbuthi 	<b>Hospital Records and Information Officer</b>  Bachelors of Science in Health Records and Information Management. At Mount Kenyatta University  Diploma in Health Records and Information at KMTC Msambweni
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## **5. Chairman's Statement**

It is my pleasure to present to you the Annual Report and Financial Statement for the year 2024/25. The hospital management board is committed to steering the hospital to greatness in response to the needs of the community and position the hospital as the regional referral hospital of choice. In the year under review, the board underwent a 3 day induction and is now more acquainted with their role and aim to improve its oversight and advisory mandate.

### **Sector alignment**

JM Kariuki Memorial County Referral Hospital operates within an ecosystem with a focus towards global and local health outcomes. As such, we are committed to offering our guidance and feedback towards reaching these common goals. Of note, we are cognizant of the Sustainable Development Goals (SDGs) to be realized by 2030, Universal Health

Coverage (UHC) aspirations and local responses to emerging issues including epidemics and lifestyle conditions especially mental illness.

In the year under review, the hospital had a maternal mortality rate of 208: 100,000 live births against an SDG target of 70:100,000 live births and a hospital based newborn mortality rate of 12:1000 live births against an SDG target of 12:1000 live births. The board will be keen to track the trend on these global indicators of health and will work with hospital management to bring them down. Another area of interest to the board was on the area of cancer prevention and management. While the hospital may not have attained a level to offer treatment, we are keen to see improvement in the diagnostic capacity of the hospital leveraging on the availability of a pathologist on board in the hospital.

### **Regulatory environment**

Healthcare provision operates within a highly regulated environment. This has not only encouraged quality but also guided an industry ridden with many potential risks. To this end, the board through its quality subcommittee has proposed and enforced observance of various set policies. It has been the intention of the board to benchmark from other players across various aspects. Ultimately we intend to not only be compliant to standard National guidelines but also seek accreditation from external bodies such as ISO and JCI.

In the year under review, the hospital received an assessment from the licensing body, Kenya Medical Practitioners and Dentists Council (KMPDC). The aim of the requested assessment was to check if the hospital could be upgraded to Level 5 status and also be empaneled as an internship centre. The report pointed out several areas of improvement and together with the County Leadership, we are pursuing the recommended interventions and applying for a reassessment in due course.

In the same year, the hospital adopted in line with the Social Health Act that established several health financing funds. This has had an impact in the revenue streams and the way care is compensated in the facility. We continue seeking ways to improve with the ultimate goal of improving health outcomes without patients and users of services experiencing financial hardships.

### **Financial Performance**

In the year under review, the hospital fully embraced the provisions of the Health Facility Improvement Financing Act of November 2023. As from 12th July 2024, the hospital has been retaining its revenue in its accounts unlike previously where the funds were collected to the County Revenue Fund (CRF). The hospital recorded a revenue collection of Kshs.174,772,997(Kshs.182,268,171 less waivers and exemptions of Kshs. 7,495,174). This is a decline from the previous year's collection of Kshs 179,579,747. Several factors could be attributed to this decline including industrial actions in the year leading to reduced patient workload. The introduction of SHA led to decreased outpatient workload due to the altered capitation model. This led to patients self rationing care as initially the cover did not extend to outpatient services. The board will be keen to hold the management to raise revenue as per the approved annual budget in the coming year.

Notably, the hospital has operated with extreme financial difficulty due to reduced cash flows. Of note, the hospital closes the year with receivables totalling to Kshs 178,612,085 compared to the previous year of Kshs. 141,783,175. The board will pursue all measures to reduce this to manageable levels to allow the hospital function

### **Outlook**

In the coming year, we aim to consolidate gains made in the year under review while expanding the scope of healthcare. We will also clearly make recommendations to relevant offices regarding staffing of the hospital with requisite staff in sufficient numbers and competencies in line with its level 4 status even as

we aim for level 5 status. In the year 2025/26, the board will formulate a 5 year strategic plan for the entity to guide its maturation into a level 5 status in response to the community perceived and observed needs.

**Acknowledgment**

On behalf of the Hospital Management Board, I wish to acknowledge The Governor, Nyandarua County H.E. Dr. Moses Kiarie Badilisha for entrusting us with the mandate of oversight in this entity. I also acknowledge the County department of Health led by the CECM, Health Hon. Juliana S. Tisnanga, the National Government through its various agencies including SHA, the Honourable members of the Nyandarua County Assembly led by the House Speaker. I applaud the immediate former chairman of the board Dr. Simon Kanyingi for leading the board since our inception till his appointment as a CECM member in the County Government of Nyandarua. The achievements we have accrued would not have been possible without the efforts of the indefatigable hospital staff. Last but not least I appreciate the residents of Nyandarua and consumers of our services for entrusting us with the mandate of representing you in this capacity.

*J.M. Kariuki*

Name

Chairman to the Board



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

We set out to achieve great things in FY 2024/2025 for our clients, internal and external stakeholders. It has been our aim to be responsive to our clients needs, update them with relevant information, and support them to attain the highest standard of health as enshrined in the Constitution of Kenya 2010. In our self evaluation , we made great strides towards the vision of the hospital. I attribute this to great contribution by the indefatigable staff working at the hospital, support from the hospital management board, National and County governments and various implementing partners. I appreciate our clients including patients, their friends and relatives for entrusting us with restoring their health and also giving us routine feedback. I highly appreciate our suppliers and service providers for helping us sustain operations and being patient with us. I appreciate medical colleagues not based in the hospital who have agreed to pro bono consultations as needed to support our staff. Notably, I recognize Dr. Mugo, a Cardiologist in Laikipia County, and Dr. Njiru, a Neurosurgeon at Kenyatta National Hospital among others who have been available on call to respond to our doctors and nurses.

### **Clinical Performance**

In the year under review, we attended to 33,525 clients in the general outpatient, 14,606 inpatient admissions, and 2,732 deliveries. There was an overall increase in the hospital workload except in the outpatient where there was a decline of 35 %. In the year, we had massive service interruption due to industrial actions by clinical officers.

Of note in the year, in November 2024, we hosted a team from Hernia International from Europe for a hernia repair camp. We managed to attend to 153 clients who came from across the country. In the same year, we conducted the first total hip replacement surgery done by the hospital Orthopaedic surgeon. In June 2024, we engaged a neurosurgeon based in Kenyatta National Hospital for neurosurgical care. He has been conducting weekly clinics which have grown significantly since inception. While we experienced two maternal mortalities in the month of December 2024, I am glad to note that the half year from January to June 2025 has seen zero maternal mortalities. We will continue doing all in our power to continue with this trend.

We are still short of critical specialities notably internal medicine physician, anaesthesiologist, Psychiatrist, and ENT surgeon. As we await deployment of the same, we'll explore innovative ways of bridging this gap and deliver care as the ultimate goal. We'll be seeking authority from relevant bodies notably the

County Public Service Board to consider getting these specialities on a locum basis. It will be a time to consider other technology enabled options such as telemedicine and remote consultations.

### **Public Health Response**

In the year under review, we remained objectively alert to our ultimate goal of having a healthy population . We recognize that healthcare is not an end to itself but should facilitate a healthy productive population as envisioned in Kenya's vision 2030 in the social pillar.

To this end, we made interventions focused on public health which included; Outreaches to school and other congregate settings, health promotion and awareness sessions through the local FM station. We remained alert for notifiable diseases, sent samples to relevant public health laboratories and also conducted contact tracing for eligible clients.

In future we purpose to hold more awareness and screening campaigns. We note with concern the rising cases of mental health challenges as evidenced by the number of suicide related morbidity and mortality. We purpose to address this through collaborations with strategic partners including conducting research to halt and reverse this trend.

### **Public Private partnership**

Our approach to healthcare delivery remains collaborative rather than competitive. We therefore continue working closely with players in the industry in a cordial manner leveraging on their strengths to deliver care to our clients. As a hospital , we sometimes are limited by protocols and lack of specialised services due to among others budgetary limitations and in some instances inability to attract and retain certain talent. In the year under review, we collaborated with AIC cure international to offer orthopaedic care mainly for children by hosting them for an inreach in the hospital. We held one CME facilitated by the Agakhan university.

In the coming year, led by the hospital board, we have a plan to reach out to donors and other potential partners to collaborate on target projects. These are mainly infrastructural but also we aim to work with institutions strong in target areas in policy formulations. We purpose to participate in formulation and implementation of a County emergency plan, quality policy documents such as standard operating

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procedures and checklists. We are also in close partnership with the Emergency Medicine Kenya Foundation specifically to improve our emergency care quality.

**Financial performance**

In the year under review, the hospital raised revenue of Kshs 174,772,997, this being a decline of 0.83 % compared to the Kshs 179,579,747 collected in FY 2023/24. I would attribute this to the change in funding model for outpatient services under SHA compared to the capitation previously under NHIF. We also had reduced outpatient utilization in the year. Unfortunately we ended the year with pending bills of Kshs 70,574,715 which is a significant rise compared to the previous year's Kshs 53,204,035. This is largely attributed to receivables from the County Revenue Fund and other payers amounting to Kshs 178,612,085 .We remain hopeful that the same will be reimbursed to enable us clear these bills.

DR. BEATRICE MUGURE

Name

Secretary to the Board



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

JM Kariuki Memorial County referral hospital is oriented around 8 strategic pillars/ themes/issues and objectives within the current draft Strategic Plan for the 2022-2026. In line with program based budgeting and therefore planning, the hospital has 3 programs namely; clinical and rehabilitative services, preventive and promotive health services and administration and support services.

These strategic pillars/ themes/ issues are as follows:

- Service delivery
- Leadership and governance
- Health care Financing
- Health records and information
- Health workforce
- Health products and technologies
- Research
- Infrastructure

The hospital develops its annual work plans based on the above pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The hospital achieved its performance targets set for the FY 2024/2025 period for its 8 strategic pillars, as indicated in the diagram below:

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<b>Strategic Pillar/Theme/Issues</b>	<b>Objective</b>	<b>Key Performance Indicators</b>	<b>Activities</b>	<b>Achievements</b>
Service delivery	To provide curative, rehabilitative, preventive and promotive health services	Improved achievement across indicators as per the Annual Work plan	Improved achievement across indicators as per the Annual Work plan	Significant increase in achievement of targets Smooth run hospital operations Reintroduction of orthopaedic surgical services after a brief hitch after resignation of an orthopaedic surgeon
Leadership and governance	To operationalize the agreed structure in line with the mission, vision and the organisation goal.	Induction of the HMB Functional Hospital advisory committees Preparation and approval of the AWP for FY 2025/26 and the respective annual budget	Lobby for appointment of HMB members	HMB had regular meetings for the full board and board subcommittees
Health Financing	To achieve sustainable health	Increase revenue stream by onboarding	Increase revenue streams	Increased revenue

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	financing levels to sustain operations and expand services	Madison insurance as a payer		collection achieved Claims made to MAKL accordingly and honoured
Health information	To ensure collection, collation analysis and reports formulation to guide evidence-based management decisions	Timely reports for decision making	Collection and analysis of reports Presentation of reports to relevant authorities for decision makers	Reports presented to HMT for assessing performance and informing programming
Health workforce	To ensure that the right numbers with the right skills and motivation are available for service delivery	Well motivated staff Rationally distributed staff	Lobby for employment of more staff Conduct an annual staff party Facilitate staff get paid study leave Facilitate staff to attend professional conferences Facilitate key management staff	Deployment of newly employed staff Several staff facilitated to attend annual professional conferences 1 medical officer and 1 nurse released on paid

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			and hospital personnel on a leadership and Management course	leave for further studies
health products and technologies	To ensure continuous availability of quality medicines to respond to the healthcare needs of our clients	Improvement of product fill rate Increase the range of available commodities to cover the medical specialities available	timely procurement of drugs, lab reagents, and non pharms and medical equipment installation of stock management software	Assorted health products and technologies procured and availed.
Research	To ensure continuous research on issues affecting and impacting on the state of health in the population served.	Revamped quality improvement team Research feedback on research done within the hospital	Establish a hospital research database Train the hospital quality improvement team	Hospital quality improvement team trained and presented research findings to the management and other reputable conferences

## **8. Corporate Governance Statement**

### **Introduction**

The Hospital has a working board of management which is constituted to ensure that corporate governance is maintained at all levels of the Hospital. The Board executes its mandate with integrity, honesty and openness.

#### **i. Appointment of Board members, Process of appointment and removal of directors,**

The board members are appointed through a Kenya gazette to serve for three years on 20th April 2023 and inaugurated on 2nd May 2023 by H.E. the Governor of Nyandarua H.E Dr. Moses Kiarie Badilisha. The CECM health services appointed the olkalou sub county administrator as a co-opted member on 9<sup>th</sup> February 2024 and has since been a member

The board has delegated authority for operations to the Medical Superintendent who is the secretary to the board. The Board however, is responsible for establishing and maintaining the Hospital's overall internal control, financial and compliance framework

#### **ii. The size, diversity, and demographics of the Board, Existence of the board charter**

The board had 2 Women out of 6 which represents 33 % female composition. The Hospital board has therefore complied with the 2/3 gender rule.

#### **iii. Roles and functions of the board**

The board had 3 standing committees which met regularly under terms of reference set by the board and other guiding documents.

### **Finance and Audit sub committee**

This committee is composed of 2 board members and a secretariat comprising, the hospital accountant, hospital administrator and the Medical Superintendent. This subcommittee met 4 times in the year.

Their mandate includes

- Receiving and considering quarterly budgets proposals
- Reviewing Quarterly financial statements

- Reviewing compliance with accounting standards
- Making their recommendations to the full board

### **Quality Health Committee**

This committee is composed of 3 board members with a secretariat drawn from the hospital quality improvement team . These are 4 members but can co-opt other members depending on the subject matter of the day.

- The committee is responsible of;
- Review of professional standards, ethics, and complaints against the performance of the medical workers.
- Reviewing effectiveness of the systems of internal control that guarantees quality services
- Giving recommendations to the full board
- During the reporting period, the committee met four times and all members were present.

### **Resource mobilisation and infrastructure subcommittee**

This committee comprises 4 board members and a secretariat comparison of; The procurement officer, Hospital public health officer, Hospital administrator and the medical superintendent. Other members are co-opted depending on the subject matter.

The committee is responsible for;

- Get briefs on current and proposed activities related to infrastructure and assess progress of ongoing activities
- Help in search for solutions on infrastructure related challenges and hospital overall internal control, financial and compliance framework

**iv. Induction, training, and development**

The board members underwent an induction program from 3<sup>rd</sup> June to 5<sup>th</sup> June to enable the members to understand their roles and effectively discharge their mandate.

**v. Board and members' performance**

Individual and board members' performance was not analysed in the year. Priority for the year was induction to have a baseline and solid basis for future assessment.

**vi. Number of Board meetings held and the attendance to those meetings by members**

**Board meetings**

The board meets quarterly as per its regulations with an additional meeting when necessary. The board agendas are prepared early and adequate notice is given. The Main Board held- meetings as follows

	<b>Name</b>	<b>No. of meetings</b>
1.	Dr.simon Kanyingi	3/4
2.	Archbishop Josam Kariuki	4/4
3.	Dr. Beatrice Mugure	4/4
4.	Dr. Kiarie Mungai	4/4
5.	Mr. Mutuota Ngugi	4/4

6.	Evalyne Gathieri	4/4
7.	Jane Kulet	4/4
8.	Naomi Kituku	3 /4
9.	Karanja Maguta	0/4
10.	Charles Kenyatta	3/4
11.	Samuel Mburu	4/4

**vii. Succession plan**

The has put in place temporal succession measures such as selection of members to hold interim positions to ensure continuity in leadership and governance of the board.

**viii. Policy to manage conflict of interest.**

All members of the board are required to declare professional interests that may influence their decision making to enhance integrity and transparency of the board.

**ix. Board remuneration**

The board was remunerated with allowances as per the circular given by SRC in 2014.

**x. Ethics and Conduct**

The board upholds high standards of ethics, integrity and professionalism to promote accountability and transparency.

**xi. Governance audit**

The board was inducted on performing self evaluation on its performance. We intend to engage professional teams specifically from the Kenya School of Government to audit the board's performance in future

**xii. Communication policy**

The board is committed to open and clear channels of communication in its engagement with staff, patients, partners and wider community

**xiii. Terms of Reference of Committees**

Each committee is mandated with specific roles reporting regularly to the board to ensure informed decision making.

**xiv. Policy on related party transactions**

Board members are familiar with declaration of conflict of interest and as far as is applicable would express the same during board engagements.

**9. Management Discussion and Analysis**

**Clinical/operational performance**

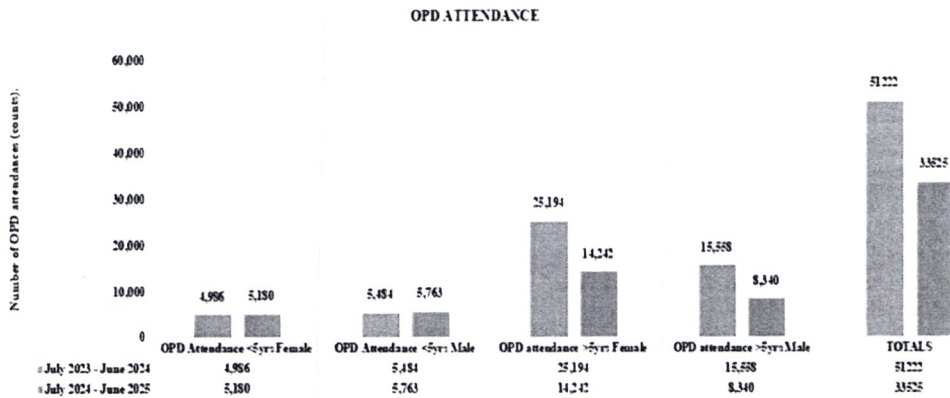
**a) Bed capacity of the hospital.**

<b>INPATIENT BEDS CAPACITY</b>				
<b>WARD</b>	<b>BE DS</b>	<b>COTS</b>	<b>INCUBATORS</b>	<b>TOTALS</b>
Male Ward	32	0	0	32
Female Ward	34	0	0	34
Maternity Ward	34	0	0	34
Intensive Care Unit	5	0	0	5
Isolation Ward	24	0	0	24
Pediatrics	29	9	1	39
New Born Unit	0	7	2	9
<b>TOTALS</b>	<b>158</b>	<b>16</b>	<b>3</b>	<b>177</b>

**b) Overall patient attendance during the year outpatient.**

**Interpretation**

Between July 2023 – June 2024, the hospital recorded a total OPD attendance of 51,222 patients, majority (80%) being adults above 5 years. In contrast, the July 2024 – June 2025 period registered a reduced total of 33,525 patients, reflecting a 34.5% decline in the overall workload.

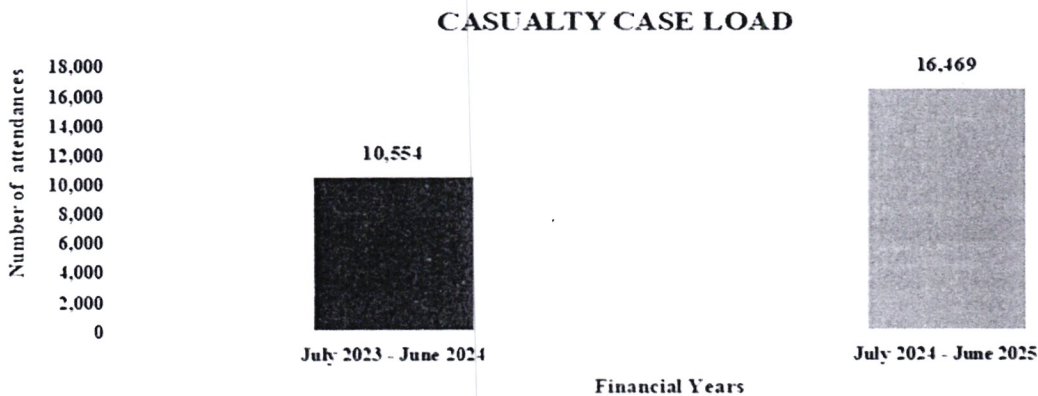


The reduction in adult case load (females -43.5%, males -46.4%) was the main driver of this drop, while pediatric attendance (<5 years) showed a slight increase (females +3.9%, males +5.1%), shifting the case mix towards children.

This decline can be attributed to two key external factors:

- The prolonged strike by Clinical Officers and Universal Health Care (UHC) staff, which disrupted service delivery and limited access to outpatient consultations.
- The introduction of the Social Health Authority (SHA), which initially did not cover outpatient services, discouraged patients from seeking care at the facility as out-of-pocket costs remained high.
- The reasons above therefore led to reduced service utilization in the period under review.

**c) Accident and Emergency case load**



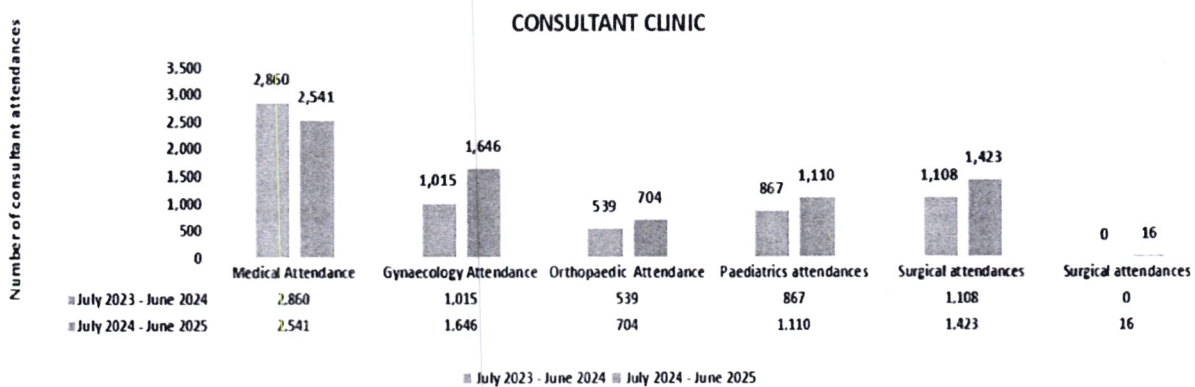
**Interpretation**

The casualty department experienced a sharp rise in workload between the two financial years.

This surge could be linked to several factors, such as:

- Patients bypassing outpatient services due to the strike and initial lack of SHA coverage for OPD, thus turning to casualty for urgent care.
- Improved reporting and referral mechanisms

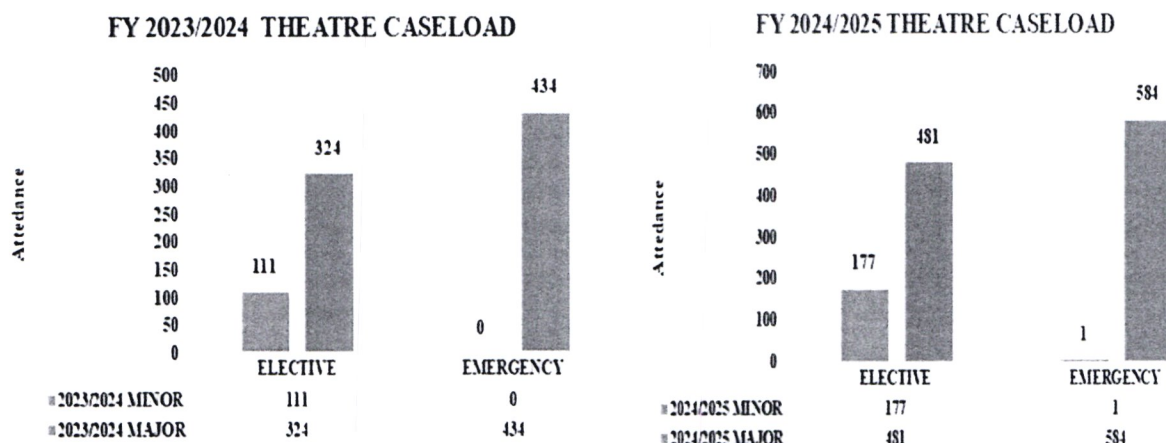
**d . Consultant clinics**



**Interpretation**

- The overall trend shows a general increase in specialty attendances except for the medical department, which recorded a modest decline.
- Strongest growth was seen in gynaecology (62.2%), followed by orthopaedics, paediatrics, and surgical services, suggesting rising demand for specialized care.
- The introduction of a new Neurosurgical clinic in FY 2024/25 reflects service diversification or better reporting.
- The decline in medical attendances could be due to patients seeking specialized services directly, referral patterns, or the shift caused by SHA policy changes.

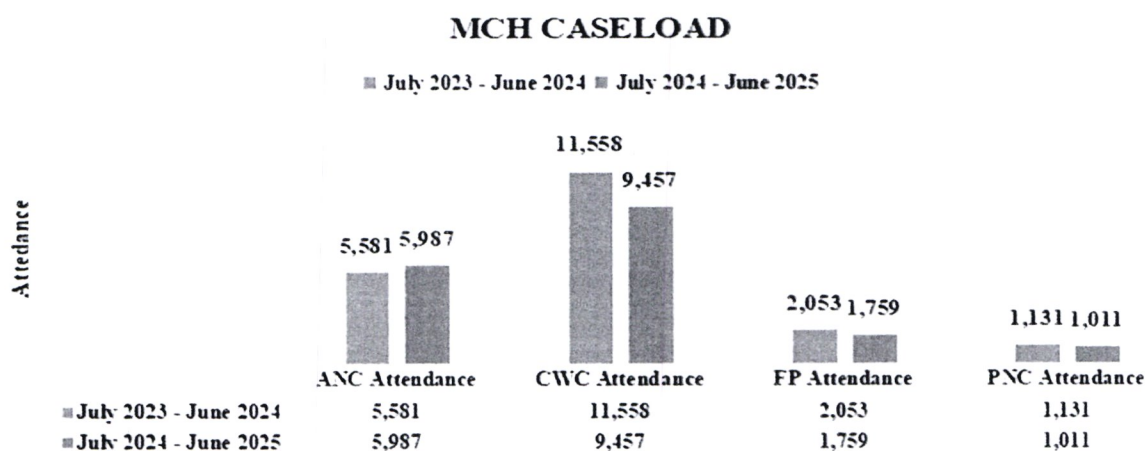
**e) Theatre Caseload**



**Interpretation**

- There was a substantial overall increase in surgical workload (43%) between the two years.
- Elective surgeries saw the largest growth, reflecting improved scheduling capacity, better patient preparedness.
- Emergency surgeries also rose significantly, particularly major operations, indicating higher surgical demand.

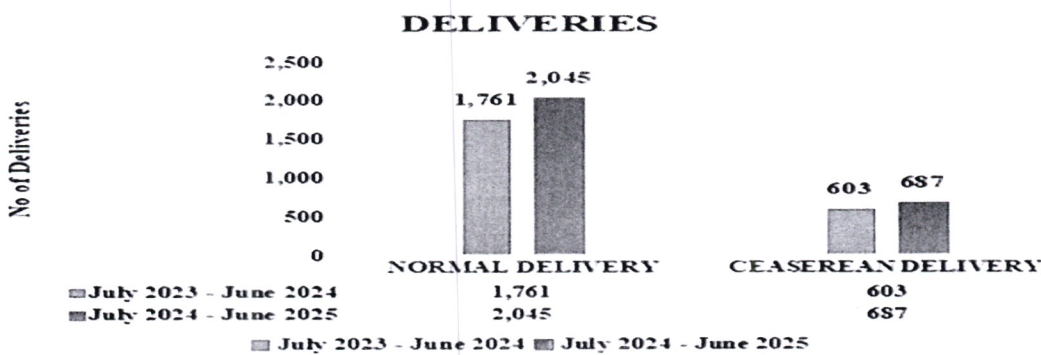
**f) Maternal Child Health**



**Interpretation**

- The maternal service (ANC) workload increased modestly, showing some improvement in antenatal care uptake.
- However, there was a decline in child health (CWC), family planning, and postnatal services, leading to an overall reduction in reproductive health service utilization.
- This shift may be linked to SHA policy gaps, and patient service-seeking behaviour.

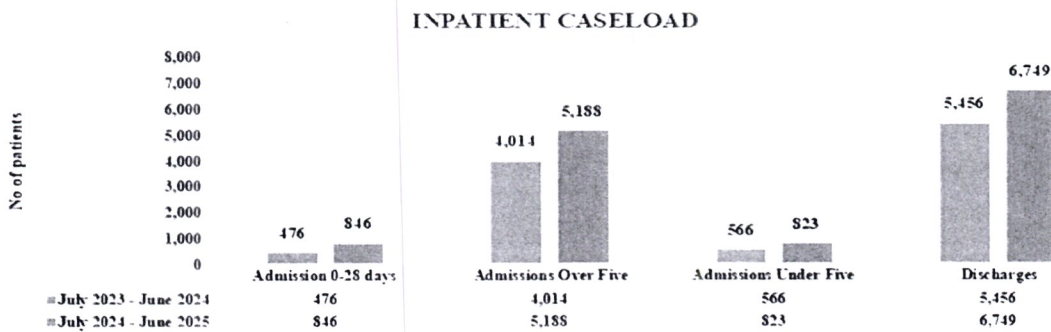
**g) Maternity Deliveries**



**Interpretation**

- The maternity unit experienced a general increase in workload (15.6%) in FY 2024/25 compared to FY 2023/24.
- Both normal and caesarean deliveries increased, with normal deliveries contributing the largest share of growth.
- Overall, this trend reflects improved service utilization in maternity care, possibly linked to greater improved access to service.

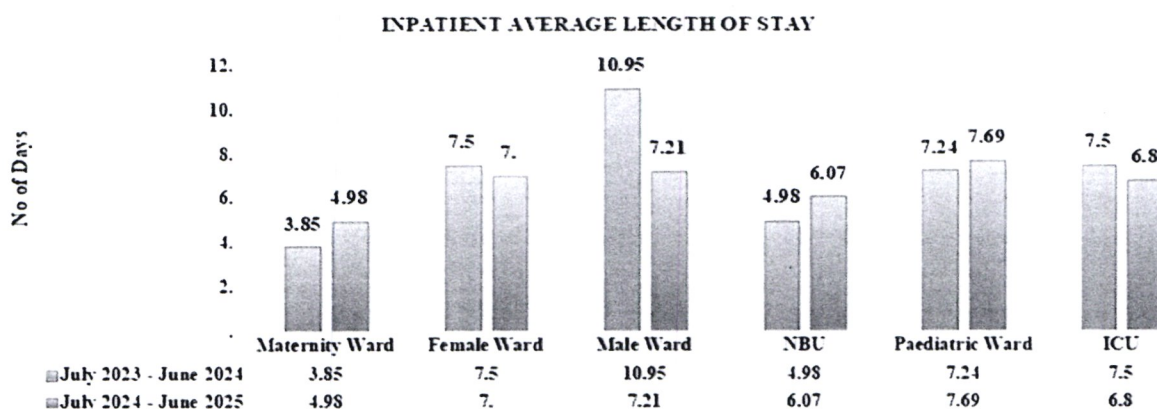
**h) Admission and discharge**



**Interpretation**

- Across all age groups, admissions increased significantly in FY 2024/25 compared to FY 2023/24.
- The highest proportional growth was in neonatal (0–28 days) admissions, followed by under-5 children, highlighting a shift toward increased paediatric and neonatal care needs.
- Adult admissions also grew substantially, driving the higher overall workload.
- The corresponding rise in discharges demonstrates active bed utilization and higher inpatient service demand.

**i) Inpatient Average Length of Stay**

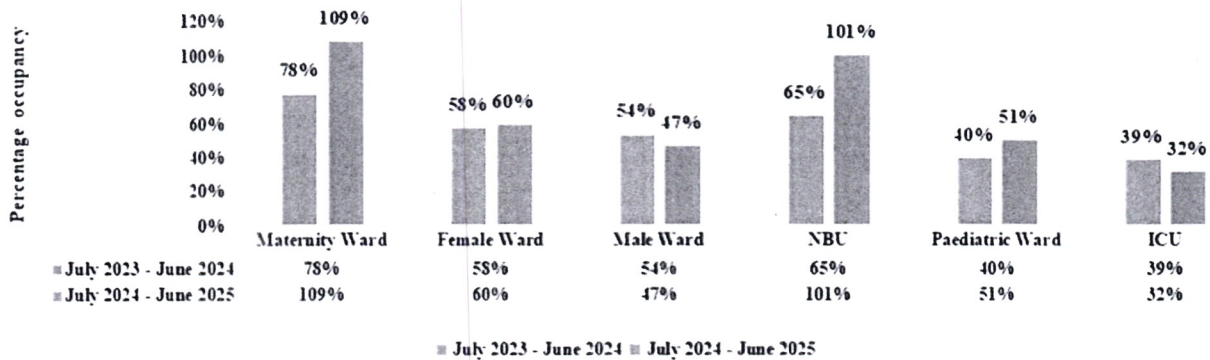


**Interpretation**

- Maternity and NBU workloads increased.
- Male and Female wards recorded reduced average stays, suggesting improved efficiency.
- Paediatric ward stayed relatively stable, with only a minor increase.
- ICU stays decreased slightly, reflecting efficiency gains or changes in case severity.

**j. Percentage Occupancy**

**INPATIENT PERCENTAGE OCCUPANCY**

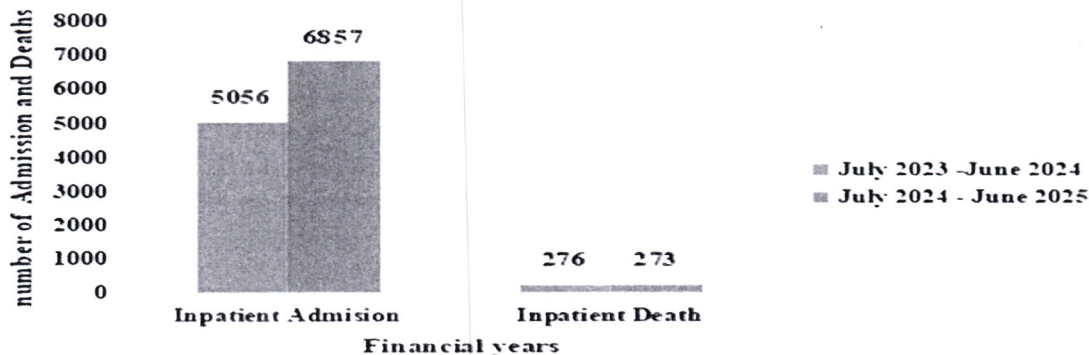


**Interpretation**

- FY 2024/25 recorded higher overall bed occupancy rates compared to FY 2023/24.
- The maternity ward (109%) and NBU (101%) were overstretched, reflecting increased maternal and newborn workload.
- Paediatric and female wards showed moderate increases in utilization.
- Male ward and ICU occupancy dropped.

**k. Mortality Rate**

**Admission vsv Death**



**Interpretation:**

- In 2023/24, the inpatient mortality rate was 5.46% compared to 3.98% in 2024/25. This represents a notable decline in hospital deaths despite an increase in admissions, suggesting improvements in service delivery, case management, and quality of care.
- Mortality rate decreased by about 1.5 percentage point.

**Reasons for Decrease in Mortality (2024/25):**

- Improved quality of care.
- Stronger referral systems and timely management of emergencies.
- More skilled staff.
- Better infection prevention and control practices.
- Early diagnosis and interventions.

**Financial performance that includes: -**

- **Revenue sources**

Our revenue sources were chiefly through provision of services and sale of pharmaceuticals.

- **Utilization of funds**

Funds were utilized in line with the approved annual budget.

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

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

To ensure that the organization remains afloat and growing the hospital management is committed to ensure expansion of revenue streams while safeguarding the gains made thus far. We intend to optimize our insurance claims system while seeking out other payers including private health insurers. In the year under review, we engaged Madison Insurance scheme. We are now ready to take on more private insurers and will in earnest engage them.

### **ii) Environmental performance**

We recognize our contribution towards potential environmental degradation from our practices. The heavy load of procedures and human presence directly implies that we generate substantial waste. Our large energy and water consumption is indicated to use the need to adopt more conservative measures. We have ensured to have all our bulbs to be lifesaving types.

### **iii) Employee welfare**

The hospital has roughly 400 employees including those directly engaged by the hospital. In the year under review, we had intention to enroll the support staff engaged by the hospital under WIBA. We facilitated staff with professional progression through facilitating them attend conferences and also refunding them with professional licenses subscription. We'll purpose to get support staff on WIBA and continue facilitating staff with continuous professional development.

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

#### **a) Responsible competition practice.**

The hospital is a no- corruption zone. This is made known to our clients and stakeholders through communication as captured on our service charter and notices placed in strategic places in the hospital. With a population health-based approach, the hospital considers other health service providers in our market as collaborators more than competitors

**b) Responsible Supply chain and supplier relations**

In the year under report, the hospital maintained a cordial relationship with suppliers. Suppliers were mainly drawn from the prequalified list at the County level and also the hospital level

**c) Responsible marketing and advertisement or Responsible engagement with citizens**

The hospital informs the relevant stakeholders such as advertising for tenders and informing clients of services in an ethical manner in relevant print media and other channels such as social media.

**d) Product stewardship or Awareness Creation**

The hospital has strategically displayed a service charter to inform clients of available services. We also have the client rights strategically placed for reference. We operate a robust complaints and compliments handling mechanism both through written and verbal communication with our clients.

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

In the year under review, the entity did minimal community engagement due to limited cash flow.

**Below are some of the notable events of the year.**



Hospital team and a team from Hernia International during the hernia repair camp in November 2024

*JM Kariuki Memorial County Referral Hospital (Nyandarua County Government)  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025*

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Hosting the National Cervical Cancer awareness day in January 2025 graced by the PS State Department of Public Health and professional standards Ms. Mary Muthoni and the First Lady of the County H.E. Grace Kiarie

## **11. Report of The Board of Management**

The board members submit their report together with the audited financial statements for the year that ended June 30, 2025, which show the state of the hospital's affairs.

### **Principal activities**

The principal activities of the entity are to provide curative, preventive, rehabilitative and promotive health services. This is done under various departments.

### **Results**

The results of the entity for the year ended June 30 2025 are set out on pages 1 to 7

### **Board of Management**

The members of the Board who served during the year are shown on page viii to xii. During the FY2024/2025 Dr. S. W. Kanyingi- Chairman (Director) resigned on 14th March 2025. while Arch. Josam Kariuki- Member was appointed as **Ag. Chairman since 17<sup>th</sup> April 2025** during a special sitting of the board.

### **Auditors**

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

By Order of the Board

*DR. BEATRICE MUGURE*

Name

Secretary to the Board



**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 that hospital, which give a true and fair view of the state of affairs of the hospital at the end of the financial year/period and the operating results of the hospital for that year/period. The Board of Management is also required to ensure that the hospital keeps proper accounting records which disclose with reasonable accuracy the financial position of the hospital. The council members are also responsible for safeguarding the assets of the hospital.

The Board of Management is responsible for the preparation and presentation of the hospital’s financial statements, which give a true and fair view of the state of affairs of the hospital for and as at the end of the financial year 2024/25 ended on June 30, 2025. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the hospital, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the 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 hospital’s financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Board members are of the opinion that the hospital’s financial statements give a true and fair view of the state of the hospital's transactions during the financial year ended June 30, 2025, and of the hospital’s financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the hospital, which have been relied upon in the preparation of the hospital’s financial statements as well as the adequacy of the systems of internal financial control.


In preparing the financial statements, the Board of management have assessed the Fund’s ability to continue as a going concern.

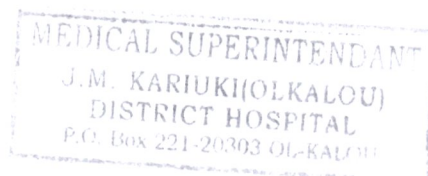
Nothing has come to the attention of the Board of management to indicate that the hospital will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The Hospital’s financial statements were approved by the Board on 26/05/25 and signed on its behalf by:

  
.....  
Name: **Isaac Kariuki**  
Chairperson  
Board of Management

  
.....  
Name: **DR. BEATRICE MUGAURE**  
Accounting Officer



# REPUBLIC OF KENYA

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



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

## **REPORT OF THE AUDITOR-GENERAL ON JM KARIUKI MEMORIAL COUNTY REFERRAL LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2025 - COUNTY GOVERNMENT OF NYANDARUA**

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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 of JM Kariuki Memorial County Referral Hospital Level 4 Hospital set out on pages 1 to 32, which comprise of the

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*Report of the Auditor-General on JM Kariuki Memorial County Referral Level 4 Hospital for the year ended 30 June, 2025 - County Government of Nyandarua*

statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of JM Kariuki Memorial County Referral Hospital Level 4 Hospital as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with the 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. Inaccuracies in the Balances of the Financial Statement**

The statement of financial position reflects net asset balance of Kshs.576,220,245 which include accumulated surplus of Kshs.147,810,060. However, the balance differs with statement of changes in net asset balance of accumulated reserves of Kshs.145,091,789 by unreconciled variance of Kshs.718,271.

In addition, the total net assets of Kshs.576,220,245 differs with statement of changes in net asset total balance of Kshs.573,501,974 by unreconciled variance of Kshs.2,718,271.

Further, Note 13 to the financial statement reflects amount Kshs.14,964,037 in respect of depreciation and amortization which include depreciation amount for property, plant and equipment of Kshs.11,395,412. However, the amount differs with the depreciation amount of Kshs.11,901,098 disclosed in Note 20 for property, plant and equipment schedule by unexplained variance of Kshs.505,686.

In the circumstances, the accuracy and completeness of financial statement balances and disclosures could not be confirmed.

#### **2. Unapproved Exemptions and Waivers**

The statement of financial performance reflects general expenses of Kshs.46,512,680 as disclosed in Note 15 to the financial statements. The expenses include Kshs.7,495,174 for waivers and exemptions. However, Management did not have an approved policy guiding the waivers and exemptions.

In addition, Management did not prepare ledgers and payment vouchers in support of the expenditure which should include (a) the full name of each person benefiting from the waiver or variation; (b) the amount of tax, fee or charge affected by the waiver or variation; (c) the year to which the waiver or variation relates; (d) the reasons for the waiver or variation.

The letter Ref:JMKMCRH/CEC/VOL.1/003 dated 28 May, 2025 written to the CECM Health Services Nyandarua County through the Chief Officer Medical Services and Director Medical Services requested for waiver of hospital fees. However, as at the time of audit September, 2025 no evidence of approval had been obtained from the CECM Finance.

In the circumstances, the approval for waivers and exemptions expenditure amount of Kshs.7,495,174 could not be confirmed.

### 3. Misstatement of Actual Revenue Receipts

The statement of cashflow reflects under the operating activities, cash inflow from rendering of medical services of Kshs.139,046,265. The amount differs with schedule provided for actual collections of Kshs.139,471,865 resulting into an unreconciled and unexplained variance of Kshs.425,600.

Similarly, the statement of comparison of budget and actual amount reflects Kshs.158,478,150 as total receipts. The balance includes actual receipts for the year under review amounting Kshs.139,046,264 which differs with schedule provided for actual collections of Kshs.139,471,865 by unexplained variance of Kshs.425,600.

In the circumstances, the accuracy and completeness of balances reflected in the statement of comparison of budget and actual amount and statement of cashflow could not be confirmed.

### 4. Long Outstanding Receivable from Exchange Transactions

The statement of financial position reflects a balance of Kshs.178,186,485 for receivables from exchange transactions as disclosed in Note 18 to the financial statements. The Note reflects Kshs.29,504,910 as medical services receivables (NHIF) which has been outstanding for more than one year.

Further, the Note also reflects Kshs.92,784,767 as receivables from County Government out of which Kshs.91,682,590 has been outstanding more than one year. However, the County revenue fund financial statement for the year under review does not reflect any payables due to the Hospital.

In addition, the total balance includes outstanding medical services receivable from Social Health Authority of Kshs.53,961,243. However, the balance differs with the expected balance of Kshs.53,535,643 by unexplained variance of Kshs.425,600 as shown below;

Description	Amount (Kshs.)
Total revenue as per statement of financial performance	93,481,319
Actual amount collected	39,945,676
Expected receivable balance	53,535,643
Recorded receivables as per financial statement	53,961,243
Unexplained variance	(425,600)

In the circumstances, the accuracy, completeness and recoverability of receivable from exchange transactions balance could not be confirmed.

## **5. Undisclosed Property, Plant and Equipment**

The statement of financial position reflects net book value of Kshs.432,005,791 in respect of property, plant and equipment as disclosed in Note 20 to the financial statement. Physical verification of Hospital assets revealed the Hospital has medical equipment in respect of a donation of bulk liquid oxygen tank. However, details and the value of the assets and corresponding increase in capital fund has not been disclosed in the financial statements.

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

## **6. Trade and Other Payables**

The statement of financial position reflects Kshs.70,452,715 in respect of trade and other payables as disclosed in Note 22 to the financial statements. Note 22 to the financial statements shows trade and other payables amounting to Kshs.70,452,715. As at the time of audit, payables amounting to Kshs.44,905,097 had not been paid off.

In the circumstances, the ability of the Hospital to settle debts as and when due is doubtful and the validity, accuracy and completeness of trade and other payables could not be confirmed.

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

## **Emphasis of Matter**

### **Budgetary Performance and Control**

The statement of comparison of budget and actual amounts reflects final revenue budget and actual amount of Kshs.284,135,185 and Kshs.158,478,150 respectively, resulting to budget underfunding of Kshs.125,657,035 or 44% of the approved budget.

The underfunding of the approved budget affects the planned activities and may have negatively impacted service delivery to the public and the increased trade and other payables.

My opinion is not modified in respect of this matter.

## Key Audit Matters

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

## Other Matter

### Unresolved Prior Year Audit Matters

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the status during audit of the Entity in 2024/2025 revealed that the following matters remained unresolved.

No	Financial Year	Audit Issue
1	2023/2024	Unsupported Employee Costs
2	2023/2024	Unsupported Inventory
3	2023/2024	Lack of a Fraud Management Policy
4	2023/2024	Lack of Risk Management Policy
5	2023/2024	Lack of an Internal Audit Function

## Other Information

Management is responsible for the Other Information set out on page i to xlv which comprise of Key Entity Information and Management, Board of Management, Key Management Team, Chairman's Statement, Report of the Medical Superintendent, Statement of Performance against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Statement of Board of Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the JM Kariuki Memorial County Referral Level 4 Hospital financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

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

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

### Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effects of the matters described in the Basis for Conclusion on

the Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

## **Basis for Conclusion**

### **1. Non-Compliance with Law on Affirmative Action**

Review of the staff data for the Hospital for the period under review, revealed that the Hospital has a staff capacity of two hundred and thirty-six (236) under the county payroll and had engaged eighty-two (82) casuals on contract basis. However, the following anomalies were noted:

- i. Review of the staff bio data in terms of ethnicity and disability status for the two hundred and thirty-six (236) employees from the County were not provided for audit and therefore the compliance with the law on affirmative action could not be confirmed.
- ii. Review of ethnic representation of eighty-two (82) casuals employed by the hospital, noted that seventy-five (75) were from one ethnic community representing 91% of the total casual workers contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, "all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community".
- iii. Further, the Hospital did not allocate 5% of employment opportunities to persons with disability contrary to Section 21 of persons with disability Act, 2025.

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

### **2. Non-remittance of Capacity Building Levy**

During the year under review the Hospital had approved a procurement plan budget of Kshs.166,405,524. However, there was no evidence that the Hospital remitted capacity building levy for the executed procurements executed between the Hospital and suppliers. This is contrary to paragraph 3 (1) of the Public Procurement Capacity Building Levy order, 2023.

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

### **3. Failure to Deduct and Withhold Value Added Tax (VAT) from Suppliers**

Review of payment vouchers and other supporting documents in respect of payment of catering services to various suppliers of Kshs.3,472,670 revealed the contract amount was inclusive of Value Added tax. However, Management failed to withhold VAT contrary to Income-Tax-Act-Cap-470- Revised 2021-3-1 (Withholding Tax Rules 2001)4(1) & (2).

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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### Conclusion

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

### Basis for Conclusion

#### 1. Lack of Internal Audit Function

During the year under review the Hospital did not have an internal audit function in place. This is contrary to Regulation 155(2) of the Public Finance Management (County Government) Regulation, 2015 which provides that an Accounting Officer should ensure that the organizational structure of internal audit unit is sufficient.

In addition, the internal audit documents and policies which includes; Audit committee service charter, audit Committee work plan, internal audit work plan for the year under review, internal audit service charter and risk management policy presented for audit were not approved.

In absence of adequate and effective internal audit function, the internal assurance of the risk management and operational internal controls for Hospital could not be confirmed.

#### 2. Non-Compliance with Optimal Staffing Levels

A review of the approved staff establishment for the Hospital revealed the following anomalies:

- i. The optimal staffing levels for the Hospital was seven hundred and eighty-two (782) employees. However, the available staff is three hundred and sixty-four (364) representing 47% and therefore a staff deficiency of four hundred and eighteen (418).
- ii. It was also noted that some key administrative departments including Human resources and Internal audit were vacant. Departments like Accounts, ICT and procurement only had one (1) employee. This may affect the productivity of the employees which in turn affects the Hospital performance.

In the circumstances, the effectiveness of the Hospital in delivering services with limited critical staff level could not be confirmed.

### **3. Ineffective Management of Inventory**

#### **3.1 Food and Ration Inventory Records**

Note 10 to the financial statements reflects medical/clinical costs amounting to Kshs.97,787,573. Included in the amount is Kshs.19,232,337 in respect of food and ration expense. Physical verification of the food and ration stock control records revealed the following inconsistencies;

- i. Bin cards were not updated to reflect the correct dates of receipt and issuance of stocks.
- ii. Some instances date of issuance of stocks on bincard number 746491 was prior to delivery dates example for food stuff worth Kshs.1,080,620 was issued on 24 June, 2024 prior to the delivery date of 29 July 2024.
- iii. Delivery notes were not updated with the correct bin card number i.e food stuff worth Kshs.205,400 were delivered vide delivery note number 032 dated 24 December, 2024 included bin card number which did not match with the actual bin stock card number.
- iv. The issuance of food stuff from the store to the kitchen was supported by stock issue voucher note and the food ration was issued to the kitchen in bulk instead of issuing food ration based on the number of patients and diet sheet.

In the circumstances, the internal controls over the inventory management of food and ration could not be confirmed.

#### **3.2 Dressing and Non-Pharmaceutical Supplies Inventory Records**

Note 10 to the financial statements reflects medical/clinical costs amounting to Kshs.97,787,573. The amount includes Kshs.20,406,845 in respect of dressing and non-pharmaceutical supplies expenses. Physical verification of the stock control records of dressing and non-pharmaceutical supplies revealed the following inconsistencies;

- i. Physical verification at the stores records for deliveries via delivery note number 491 dated 30 May, 2024 for supply of non-pharmaceuticals procured at a total cost of Kshs.2,996,195 revealed the following drugs were not posted in the bin cards: Tranexamic acid 500mg injection ampoule of Kshs.46,400; Dexbrose 50% solution bottles Kshs.36,000; Metronidazole injection bottles of Kshs.21,600 and Kleen enema, 135ml of Kshs.57,800.

- ii. Physical verification of sampled store records for non-pharmaceuticals revealed that supplies were posted in the store's records almost a month after delivery i.e supply of non- Pharmaceuticals at a total cost of Kshs.508,900 delivered on 26 August, 2024 and paid via payment voucher number 278 dated 13 February, 2025 were posted in the on 18 September, 2024 month later after delivery in respect of the following items; 100 packets of Black bin line(30ltrs) costing Kshs.126,000 and 100 packets of yellow bin liner(30litres) costing Kshs.126,000.

In the circumstances, effectiveness of internal controls over the inventory management of non-pharmaceuticals supplies could not be confirmed.

### **3.3 Pharmaceutical Supplies**

Note 10 to the financial statements reflects medical/clinical costs amounting to Kshs.97,787,573. Included in the amount is Kshs.5,740,603 in respect of pharmaceutical supplies. Physical verification of the stock control records of pharmaceutical supplies revealed the following inconsistencies;

- i. Physical verification of stores records for delivered pharmaceuticals drugs costing Kshs.2,192,154 vide delivery note MFL:10916 delivered at various dates revealed the following anomalies in the stores bincard; Midazolam injection-Kshs.9,000 was not posted/could not be traced in the bincard.; Ibuprofen tablets worth Kshs.54,000 was posted as Kshs.57,000 in the bin card entry on 31 January, 2025 hence this would affect the total balance; delivery of Dextrose 50% was posted with quantity of 240 instead 220; Budesonide inhaler was posted with quantity of thirty two (32) instead thirty (30); Normal saline posted on 27 May, 2025 was posted with quantities as 4,500 instead of 4,488.
- ii. In addition, there was no reconciliation on breakages, and spillage of drugs in the stock bin cards.

In the circumstances, effectiveness of internal controls over the inventory management of pharmaceutical supplies could not be confirmed.

### **4. Failure to Dispose of Expired Drugs**

Review of Management reports and the audit inspection conducted in the Hospital stores revealed that the Hospital had shipment containers with boxes of expired drugs which had not been destroyed. It is not clear why Management did not utilize the drugs before expiry by observing first expiry first out (FEFO) policy.

Further, Management did not provide a written letter to the Nyandarua County Government requesting for disposal of the drugs.

In the circumstances, effectiveness of internal controls by observing first expiry first out (FEFO) policy of inventory management could not be confirmed.

### **5. Lack of Approved Policy Documents**

#### **5.1 Lack of Approved ICT Policy and Disaster Recovery Plan**

During the period under review, it was noted that the Hospital was operating without approved Information, Communication and Technology (ICT) policy and disaster recovery

plans. Both the draft disaster recovery plan and ICT policy were dated September, 2020. In the absence of above plans, the Hospital activities could be disrupted on occurrence of unfavorable events that impact its operations.

## **5.2 Lack of a Risk Management Policy**

Review of the general informational and environmental operations of the Hospital revealed that there is no risk management policy. Without a risk management policy, weak assessment and controls of the various aspects of risk may affect the smooth flow of the Hospital's operations should there be a calamity.

## **5.3 Lack of Disaster Recovery and Business Continuity Plan**

Examination of documents at the Hospital revealed that the Hospital does not have a Disaster recovery and Business Continuity plan in place. Without this document service provision at the Hospital will be interrupted greatly in case of a disaster. No explanation was provided as to why this document has not been prepared.

In the circumstances, the effectiveness of risk management and business continuity of the Hospital in case of disaster ICT 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 those Charged with Governance**

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

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

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

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


### **Auditor-General's Responsibilities for the Audit**

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

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

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

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

  
FCPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**13 November, 2025**





**JM Kariuki Memorial County Referral Hospital (Nyandarua County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025**

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

Description	Note	2024/25 FY	2023/24 FY
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from the County Government	6	-	-
In-kind contributions from the County Government	7	361,582,061	366,662,180
Grants from donors and development partners	8	-	-
		<b>361,582,061</b>	<b>366,662,180</b>
<b>Revenue from exchange transactions</b>			
Rendering of services- Medical Service Income	9	182,268,171	179,579,747
<b>Revenue from exchange transactions</b>		<b>182,268,171</b>	<b>179,579,747</b>
<b>Total revenue</b>		<b>543,850,232</b>	<b>546,241,927</b>
<b>Expenses</b>			
Medical/Clinical costs	10	97,787,573	96,530,701
Employee costs	11	367,114,560	353,378,348
Board of Management Expenses	12	1,472,963	746,000
Depreciation and amortization expense	13	12,227,766	2,255,715
Repairs and maintenance	14	16,404,972	9,995,978
General expenses	15	46,512,680	29,127,362
<b>Total expenses</b>		<b>541,520,513</b>	<b>492,034,104</b>
<b>Net Surplus / (Deficit) for the year</b>		<b>2,329,719</b>	<b>54,207,823</b>

The notes set out on pages 18 to 22 form an integral part of the Annual Financial Statements.

The Hospital's financial statements were approved by the Board on 26/08/25 and signed on its behalf by:

 Isaac Kariuki  
 Chairman  
 Anne Mbitu  
 Head of Finance  
 DR. BEATRICE MUGARU  
 Medical Superintendent  
  
 Board of Management  
 ICPAK No: 26128

  
 MEDICAL SUPERINTENDANT  
 J.M. KARIUKI(OLKALOU)  
 DISTRICT HOSPITAL  
 P.O. Box 221-20303 OL-KALOU

*JM Kariuki Memorial County Referral Hospital (Nyandarua County Government)  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025*

**15. Statement of Financial Position As At 30<sup>th</sup> June 2025**

Description	Note	2024/25 FY	2023/24 FY
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	16	9,333,237	19,431,886
Receivables from exchange transactions	18	178,186,485	141,783,175
Inventories	19	26,942,781	21,879,305
<b>Total Current Assets</b>		<b>214,462,502</b>	<b>183,094,366</b>
<b>Non-current assets</b>			
Property, plant, and equipment	20	432,005,791	14,740,010
Intangible assets	21	326,666	850,000
<b>Total Non-current Assets</b>		<b>432,332,457</b>	<b>15,590,010</b>
<b>Total assets (A)</b>		<b>646,794,960</b>	<b>198,684,375</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	22	70,574,715	53,204,035
<b>Total Current Liabilities</b>		<b>70,574,715</b>	<b>53,204,035</b>
<b>Total Liabilities (B)</b>		<b>70,574,715</b>	<b>53,204,035</b>
<b>Net assets (A-B)</b>		<b>576,220,245</b>	<b>145,480,341</b>
<b>Represented by:</b>			
Revaluation reserve		-	
Accumulated surplus/Deficit		147,810,060	145,480,341
Capital Fund		428,410,185	-
<b>Net Assets</b>		<b>576,220,245</b>	<b>145,480,341</b>

*JM Kariuki Memorial County Referral Hospital (Nyandarua County Government)  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025*

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*Joson Kariuki*  
*[Signature]*

Chairman  
Board of Management

*C/A Anne Mbitu*

Head of Finance  
ICPAK No:

*20128*

*DR. BEATRICE MUAURE*

Medical Superintendent

*[Signature]*

MEDICAL SUPERINTENDANT  
J.M. KARIUKI(OLKALOU)  
DISTRICT HOSPITAL  
P.O. Box 221-20303 OL-KALOU

*JM Kariuki Memorial County Referral Hospital (Nyandarua County Government)  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025*

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

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
<b>As at July 1, 2023</b>	-	<b>91,272,517</b>	-	<b>91,272,517</b>
Revaluation gain	-	-	-	-
Surplus for the year	-	54,207,824	-	54,207,824
Capital/Development grants	-	-	-	-
<b>As at June 30, 2024</b>	-	<b>145,480,341</b>	-	<b>145,480,341</b>
<b>At July 1, 2024</b>	-	<b>145,480,341</b>	-	<b>145,480,341</b>
Restated Depreciation Adjustment	-	(2,541,604)		(2,541,604)
Restated Amortization Adjustment	-	(176,667)		(176,667)
Revaluation gain	-	-	428,410,185	428,410,185
Surplus/(deficit) for the year	-	2,329,719	-	2,329,719
Capital/Development grants	-	-	-	-
<b>At June 30, 2025</b>	-	<b>145,091,789</b>	<b>428,410,185</b>	<b>573,501,974</b>

The restated depreciation and amortization adjustment was occasioned by use of erroneous depreciation in the financial year 2023/24.  
Furniture and Fittings 12.5% instead of 20%,  
ICT equipment 12,5% instead of 33.3% and  
Medical equipment 12.5% instead of 25%.

*JM Kariuki Memorial County Referral Hospital (Nyandarua County Government)  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025*

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

Description	Note	2024/25 FY	2023/24 FY
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the County Government		-	-
Grants from donors and development partners		-	-
Rendering of services- Medical Service Income		139,471,864	179,002,832
<b>Total Receipts</b>		<b>139,471,864</b>	<b>179,002,832</b>
<b>Payments</b>			
Medical/Clinical costs		67,591,049	40,707,642
Employee costs		19,302,630	11,824,165
Board of Management Expenses		1,472,963	746,000
Repairs and maintenance		11,973,158	6,613,173
General expenses		45,477,178	19,909,081
Transfer to CRF		1,102,177	92,773,993
<b>Total Payments</b>		<b>146,919,155</b>	<b>172,574,054</b>
<b>Net cash flows from operating activities</b>	23	<b>(7,447,289)</b>	<b>6,428,778</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment		(2,651,360)	(3,293,851)
<b>Net cash flows used in investing activities</b>		<b>(2,651,360)</b>	<b>(3,293,851)</b>
<b>Cash flows from financing activities</b>			
<b>Net cash flows used in financing activities</b>		-	-
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(10,098,650)</b>	<b>3,134,927</b>
Cash and cash equivalents as at 1 July	16	19,431,886	16,296,959
<b>Cash and cash equivalents as at 30 June</b>	16	<b>9,333,237</b>	<b>19,431,886</b>

*JM Kariuki Memorial County Referral Hospital (Nyandarua County Government)  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025*

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget carryovers from the previous year	-	19,431,886	19,431,886	19,431,886	-	100%
<b>Receipts</b>						
Transfers from the County Government	91,682,590	-	91,682,590	-	91,682,590	0%
Receivables from Insurance(NHIF and MAKL)	50,100,585	-	50,100,585	48,333,453	1,767,132	95%
Rendering of services- Medical Service Income	122,920,124	-	122,920,124	90,712,811	32,207,313	74%
<b>Total receipts</b>	<b>264,703,299</b>	<b>19,431,886</b>	<b>284,135,185</b>	<b>158,478,150</b>	<b>125,657,035</b>	<b>56%</b>
<b>Payments</b>						
Medical/Clinical costs	136,590,536	5,731,886	142,322,422	67,591,049	74,731,373	47%
Employee costs	25,252,291	-	25,252,291	19,302,630	5,949,661	76%
Remuneration of directors	2,520,000	-	2,520,000	1,472,963	1,047,037	58%
Repairs and maintenance	21,944,643	9,000,000	30,944,643	11,547,558	19,397,085	37%
General expenses	63,183,256	4,700,000	67,883,256	45,477,178	22,306,080	67%
<b>Total Operational Expenditure paid</b>	<b>249,490,726</b>	<b>19,431,886</b>	<b>268,922,613</b>	<b>145,391,378</b>	<b>123,431,236</b>	<b>54%</b>
<b>Capital Expenditure paid</b>	<b>15,212,573</b>	<b>-</b>	<b>15,312,572</b>	<b>2,651,360</b>	<b>12,661,212</b>	<b>17%</b>
<b>Surplus</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,435,414</b>	<b>(10,435,413)</b>	

- 1 The difference between the actual and the budgeted amount occurred due to reduction in cashflow.
- 2 The difference between the original and actual budget occurred due to the budget carryover

**Budget Reconciliation**

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	10,435,413
1	Transfer to County Revenue Fund	(1,102,177)
	Closing Cash and Cash Equivalent as per the statement of Cash flows	9,333,236

## **19. Notes to the Financial Statements**

### **1. General Information**

JM Kariuki Memorial County Referral Hospital entity is established by and derives its authority and accountability from Public Finance Act. The entity is wholly owned by the Nyandarua County Government and is domiciled in Nyandarua County in Kenya. The entity's principal activity is offering health care services and providing training for health professions.

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

The financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. The accounting policies have been applied. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the hospital. The financial statements have been prepared in accordance with the PFM Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

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

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

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

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

<b>Standard</b>	<b>Effective date and impact:</b>
IPSAS 43	<b>Applicable 1<sup>st</sup> January 2025</b> The hospital did not have leases; hence the standard does not apply.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<b>Applicable 1<sup>st</sup> January 2025</b> The hospital does not have assets held for sale and therefore standard does not apply
IPSAS 45- Property Plant and Equipment	<b>Applicable 1<sup>st</sup> January 2025</b> The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognized 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.
IPSAS 47- Revenue	<b>Applicable 1<sup>st</sup> January 2026</b> The hospital recognizes revenue in the period its earned.
IPSAS 48- Transfer Expenses	<b>Applicable 1<sup>st</sup> January 2026</b> The hospital does not give resources without getting anything directly in return, hence it does not apply

<b>Standard</b>	<b>Effective date and impact:</b>
IPSAS 49- Retirement Benefit Plans	<b>Applicable 1<sup>st</sup> January 2026</b> The hospital does not have a retirement benefit since it only hires casuals

**iii) Early adoption of standards**

The Entity did not early adopt any new or amended standards in the financial year for the financial year ended 30<sup>th</sup> June 2025.

**4. Summary of Significant Accounting Policies**

**a. Revenue recognition**

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

**Transfers from other Government entities**

The hospital did not receive fund transfer from other government entities therefore it was not reported.

**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 the cost that reflects service performed. 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.

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

**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 ended June 30, 2025 was approved by the Board on 15<sup>th</sup> August 2024. Subsequent revisions or additional appropriations were not made to the approved budget in accordance with specific approvals from the appropriate authorities. The hospital'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.

**c. Taxes**

**Sales tax/ Value Added Tax**

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

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

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

**d. 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.

**e. 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.

**f. Financial instruments**

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

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

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

### **Financial assets**

#### **Classification of financial assets**

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

#### **Subsequent measurement**

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

#### **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.

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

**Financial liabilities**

**Classification**

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

**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.

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

**g. 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 recognizes a social benefit as an expense for the social benefit scheme at the same time that it recognizes 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.

**h. 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.

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

**i. 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.

**j. 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.

**k. 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 the financial position reporting date by applying the exchange rate on that date.

**l. 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 hospital, or vice versa. Members of the Hospital Board and Hospital Management Team are regarded as related parties.

**m. 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 hospital recognizes that asset when, and only when, it controls or regulates the services. The operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual

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

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 hospital also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**n. Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank. Bank account balances include amounts held at the Cooperative Bank and Kenya Commercial Bank 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 which were not surrendered or accounted for at the end of the financial year.

**o. Comparative figures**

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

**p. Subsequent events**

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

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

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

**Estimates and assumptions.**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may

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

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

**Notes to Financial Statements (Continued)**

**6. Transfers from The County Government**

Name of the Entity sending the grant	Amount recognized to Statement of financial performance* KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	2023/24 FY
			KShs	KShs	KShs
Nyandarua County Government	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

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

Description	2024/25 FY	2023/24 FY
	KShs	KShs
Salaries and wages	350,463,210	337,257,010
Pharmaceuticals and Non-Pharmaceutical Supplies	11,118,851	29,405,170
<b>Total grants in kind</b>	<b>361,582,061</b>	<b>366,662,180</b>

**8. Grants from donors and development partners**

Name of the Entity sending the grant	Amount recognized to Statement of financial performance	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	Comparative Period
	KShs	KShs	KShs	KShs	KShs
Hospice Care Kenya	-	-	-	-	-
World Bank	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

Notes to Financial Statements (Continued)

9. Rendering of Services-Medical Service Income

Description	2024/25 FY	2023/24 FY
	Kshs	Kshs
Pharmaceuticals	6,743,604	5,212,334
Eye Services	335,100	253,500
Laboratory Services	9,767,125	6,272,700
Radiology	6,422,370	6,651,150
Orthopedic and Trauma Technology	667,460	390,200
Theatre	881,210	757,320
In-Patient Services	8,812,573	10,171,795
ICU Service	2,108,510	3,004,920
Ear Nose and Throat service	97,050	77,500
Nutrition service	236,140	55,510
Medical Records	5,393,908	4,129,460
Dental services	871,700	710,300
Reproductive health	574,700	177,150
Occupational & Physio Therapy	668,000	277,850
Farewell Home Services	3,582,500	2,783,800
Out - Patient Services	2,716,722	2,070,220
Referral Services	930,000	631,480
Rent	57,963	52,945
Renal Services	-	130,000
Cancer Centre Services	32,100	33,900
Clinical Psychology	123,800	76,200
Disability Assessment	41,900	127,200
Waivers & Exemptions	7,495,174	-
Public Health	128,300	-
NHIF	26,962,440	133,737,823
MAKL	2,980,574	1,794,490
SHA	93,481,319	-
Madison Insurance	155,929	-
<b>Total revenue from the rendering of services</b>	<b>182,268,171</b>	<b>179,579,747</b>

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

**10. Medical/ Clinical Costs**

Description	2024/25 FY	2023/24 FY
	Kshs	Kshs
Laboratory chemicals and reagents	10,351,184	7,368,880
Food and Ration	19,232,337	13,819,140
Uniform, clothing, and linen	37,200	364,640
Dressing and Non-Pharmaceuticals	20,406,845	10,828,003
Pharmaceutical supplies	5,740,603	14,615,124
Pharmaceutical and Non-Pharmaceutical Supplies from County	11,118,851	29,405,170
Health information stationery	5,078,039	4,387,818
Sanitary and cleansing Materials	2,853,684	2,402,956
Purchase of Medical gases	2,978,580	664,600
X-Ray/Radiology supplies	2,330,750	3,947,870
Purchase of Workshop Tools	-	250,000
Specialized Materials	17,659,500	8,476,500
<b>Total medical/ clinical costs</b>	<b>97,787,573</b>	<b>96,530,701</b>

Pharmaceuticals and Non-Pharmaceuticals Supplies from County was in kind receipt from the Nyandarua County Government

**11. Employee Costs**

Description	2024/25 FY	2023/24 FY
	Kshs	Kshs
Salaries, wages, and allowances	350,463,210	337,257,010
Casual Wages	16,651,350	16,121,338
<b>Employee costs</b>	<b>367,114,560</b>	<b>353,378,348</b>

Salaries, wages and allowances are staff salaries paid by the Nyandarua County Government while casual wages are payments to hospital support staff.

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

**12. Board of Management Expenses**

Description	2024/25 FY	2023/24 FY
	Kshs	Kshs
Sitting allowance	1,472,963	746,000
<b>Total</b>	<b>1,472,963</b>	<b>746,000</b>

The amount includes allowances to board members during regular meetings and expenses incurred during other board activities. In the year under review, this was mainly expenses incurred for the board's induction.

**13. Depreciation and Amortization Expense**

Description	2024/25 FY	2023/24 FY
	Kshs	Kshs
Property, plant and equipment	11,395,412	2,105,715
Intangible assets	326,667	150,000
<b>Total depreciation and amortization</b>	<b>14,964,037</b>	<b>2,255,715</b>

**14. Repairs And Maintenance**

Description	2024/25 FY	2023/24 FY
	Kshs	Kshs
Medical equipment	5,223,576	1,738,454
Computers and accessories	506,065	2,447,544
Motor vehicle expenses	986,700	1,089,370
Maintenance of civil works	9,688,631	4,720,610
<b>Total repairs and maintenance</b>	<b>16,404,972</b>	<b>9,995,978</b>

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

**15. General Expenses**

Description	2024/25 FY	2023/24 FY
	Kshs	Kshs
Advertising and publicity expenses	96,440	173,920
Catering expenses	3,509,370	1,221,145
Bank charges	35,573	20,433
Training & Conferences	156,000	-
Contracted services	1,238,400	3,826,800
Electricity expenses	10,074,488	9,723,107
Travel and accommodation allowance	5,536,950	3,445,940
Refined Fuel and Lubricants	7,204,000	5,800,000
Other Fuels (Charcoal, Firewood & Cooking Gas)	2,900,110	1,860,542
Courier and postal services	13,060	11,610
Printing and stationery	5,898,065	2,738,365
Water and sewerage costs	1,793,050	50,500
Telephone and mobile phone services	512,000	255,000
Subscriptions to professional bodies	50,000	-
Waivers & Exemptions	7,495,174	-
<b>Total General Expenses</b>	<b>46,512,680</b>	<b>29,127,362</b>

General expenses include the waivers and exemptions since the patients are fully waived.

**16. Cash And Cash Equivalents**

Description	2024/25 FY	2023/24 FY
	KShs	KShs
Current accounts	27,275	19,398,262
Revenue Account	9,215,020	11,744
Cash in hand	90,942	21,880
<b>Total cash and cash equivalents</b>	<b>9,333,237</b>	<b>19,431,886</b>

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

**17. Detailed Analysis of Cash and Cash Equivalents**

Description		2024/25 FY	2023/24 FY
Financial institution	Account number	KShs	KShs
<b>a) Current account</b>			
Cooperative Bank	01141467546000	27,275	19,398,262
Kenya Commercial bank	1173845631	9,215,020	11,744
<b>Sub- total</b>		<b>9,242,295</b>	<b>19,410,006</b>
cash in hand		90,942	21,880
<b>Sub- total</b>		<b>90,942</b>	<b>21,880</b>
<b>Grand total</b>		<b>9,333,237</b>	<b>19,431,886</b>

**18. Receivables From Exchange Transactions**

Description	2024/25 FY	2023/24 FY
	KShs	KShs
Medical services receivables (NHIF)	29,504,910	48,998,975
Medical services receivables (MAKL)	2,205,236	1,101,610
Medical services receivable (SHA)	53,535,643	-
Medical services receivable (Madison Insurance)	155,929	-
Outstanding Transfer to County Government	92,784,767	91,682,590
<b>Total</b>	<b>178,186,485</b>	<b>141,783,175</b>

**Analysis of Receivables From Exchange Transactions**

Description	2024/25 FY		2023/24 FY	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	84,387,025	47%	141,783,175	100%
Between 1- 2 years	94,225,060	53%	-	0%
<b>Total (a+b)</b>	<b>178,612,085</b>	<b>100%</b>	<b>141,783,175</b>	<b>100%</b>

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

**19. Inventories**

Description	2024/25 FY	2023/24 FY
	KShs	KShs
Pharmaceutical supplies	3,819,976	5,913,036
Dressing & Non-Pharmaceuticals	6,776,390	3,829,861
Laboratory Chemicals & Reagents	4,030,598	1,389,960
X-Ray Materials	723,800	1,715,974
Specialized Materials(Renal Items)	2,633,375	-
Maintenance supplies	698,245	1,231,950
Food supplies	390,640	442,018
Linen and clothing supplies	4,529,841	5,915,500
Cleaning materials supplies	362,725	108,180
General supplies	2,045,904	1,332,826
<b>Total</b>	<b>26,011,494</b>	<b>21,879,305</b>

**Detailed disclosure on inventories**

	2024/25 FY	2023/24 FY
Opening balance	21,879,305	-
Additional Inventory in the year	65,386,410	-
Inventory expensed in the year	59,797,717	-
Closing balance	<b>25,998,160</b>	<b>21,879,305</b>

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Notes to the Financial Statements (Continued)

20. 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 2023	-	-	-	1,395,960	5,551,940	5,177,414	-	12,125,314
Additions	-	-	-	-	540,671	4,179,740	-	4,720,411
<b>At 30<sup>th</sup> June 2024</b>	-	-	-	1,395,960	6,092,611	9,357,154	-	16,845,725
At 1 July 2024			-	1,395,960	6,092,611	9,357,154	-	16,845,725
Additions (Acquisition)	-	-	-	-	-	3,298,300	-	3,298,300
Additions (Valuation)	106,950,000	321,460,185	-	-	-	-	-	428,410,185
<b>At 30<sup>th</sup> June 2025</b>	<b>106,950,000</b>	<b>321,460,185</b>	-	<b>1,395,960</b>	<b>6,092,611</b>	<b>12,655,454</b>	-	<b>448,554,210</b>
<b>Depreciation and impairment</b>								
At 1 July 2023								
Depreciation for the year	-	-	-	(174,495)	(761,576)	(1,169,644)	-	(2,105,715)
<b>At 30 June 2024</b>	-	-	-	<b>(174,495)</b>	<b>(761,576)</b>	<b>(1,169,644)</b>	-	<b>(2,105,715)</b>
At 1 July 2024	-	-	-	(174,495)	(761,576)	(1,169,644)	-	(2,105,715)
Depreciation	-	(6,429,204)	-	(279,192)	(2,028,839)	(3,163,864)	-	(11,901,098)
Restated Depreciation Adjustment for FY 2023/24				(104,697)	(1,267,263)	(1,169,664)		(2,541,604)

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Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
At 30 <sup>th</sup> June 2025	-	(6,429,204)	-	(558,384)	(4,057,679)	(5,503,152)	-	(16,548,418)
<b>Net book values</b>								
At 30 <sup>th</sup> Jun 2024	-	-	-	1,221,465	5,331,035	8,187,510	-	14,740,009
At 30 <sup>th</sup> Jun 2025	106,950,000	315,030,981	-	837,576	2,034,932	7,152,302	-	432,005,791

The additions of land and buildings is the valuation of both which was done during the year under review.

The restated depreciation adjustment was occasioned by use of erroneous depreciation rates as follows:

Furniture and Fittings 12.5% instead of 20%, ICT equipment 12,5% instead of 33.3% and medical equipment 12.5% instead of 25%.

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

**(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.

**25. 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.

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

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

**26. Events after the Reporting Period**

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

**27. Currency**

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

**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.

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
	<b>REPORT ON THE FINANCIAL STATEMENTS</b>			
1.	Unsupported employees cost	Payroll for staff deployed by the County Government to the entity is managed centrally. We requested a summary and detailed payroll from the payroll unit for the year under report. We propose to get quarterly payroll reports for the coming years	Partially resolved	December 2025
2	Unsupported Capital Fund balance	Management has taken this feedback. We'll work on proper classification of Capital expenditure for more accurate presentation	Partially resolved	December 2025
3.	Unsupported inventory	Management has put in measures to have all inventory categories defined on the HMIS software. We are progressively transitioning to have all	Partially resolved	December 2025

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		inventory captured for all receipts and issued stocks		
	<b>REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES</b>			
	Irregular Award of contracts reserved for the disadvantaged groups to ineligible suppliers under Access to Government Procurement Opportunities	Management has struggled to balance to adhere to this requirement as the bulk of purchases at too specialised due to their medical nature. Going forward, management will be intentional at the prequalification stage to reach out to the disadvantaged groups to apply. We shall also reserve these categories from the onset and endeavor to adhere	Not resolved	December 2025
	<b>REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE</b>			
1.	Lack of fraud management policy	The hospital management and the management board in consultation with the department of Health leadership will have this in place during the ongoing year	Not Resolved	June 2026

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<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
2.	Lack of Risk Management Policy	The hospital management and the management board in consultation with the department of Health leadership will have this in place during the ongoing year	Not Resolved	June 2026
3.	Incomplete Assets Register	The entity has done valuation on land and building. The supply chain officer is working closely with the County valuer to complete valuation of the remaining equipment and maintain an active register henceforth	Not Resolved	June 2026
4.	Lack of an internal audit function	We have made a request to the chief officer health to communicate to the relevant department to assign an auditor to the entity	Not Resolved	June 2026

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Accounting Officer

**Appendix II: Projects Implemented by The Entity**

**Projects**

Projects implemented by the Hospital Funded by development partners

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

The hospital did not receive funding from any donor or County Government to implement a project during the financial year

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