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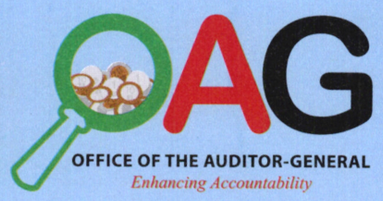



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REPORT

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THE AUDITOR-GENERAL

ON

EMBU LEVEL 5 HOSPITAL

FOR THE YEAR ENDED
30 JUNE, 2025

COUNTY GOVERNMENT OF EMBU

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Embu Level 5 Hospital
Embu County Government

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2025.

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

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1. Acronyms & Glossary of Terms

A list of all acronyms and glossary of terms used in the preparation of this report:

CSR	Corporate Social Responsibility
OSHA	Occupational Health & Safety Act
PFMA	Public Financial Management Act
MED SUP	Medical Superintendent
Fiduciary Management	Key management personnel who have financial responsibility in the entity.
EL5H	Embu Level 5 Hospital
FIF	Facility Improvement Fund
SHA	Social Health Authority
SHIF	Social Health Insurance Fund

2. Key Entity Information and Management

(a) Background information

Embu Level 5 Hospital is a level (5) hospital established under gazette notice number Vol. CXXII-No. 24 and is domiciled in Embu County. The hospital is governed by the Board of Directors.

The hospital has a registered bed capacity of Six Hundred Eighteen (618) normal beds, six (6) ICU beds and Eight (8) HDU beds. It attended to Fourteen Thousand Eight Hundred Six (14,806) inpatients and One Hundred Fifty-Nine Thousand Two Hundred Twenty-Nine (159,229) out-patients during the year under review. With 15 wards, 3 Operating theatres and 9 consultant clinics, it is the hospital of choice in Embu County.

The hospital provides specialized health care service to patients from within Embu County and surrounding regions. These services include neurosurgery, orthopaedic surgery, renal services, oncology, new born unit, psychiatry among others.

The hospital provides training facilities for the University of Embu, Chuka University and Kenya Medical Training College students from across the country. It is also a centre for COSECSA Training (College of Surgeons of East, Central and South Africa).

(b) Principal Activities

The principal activity/mission/ mandate of the hospital is to;

1. Providing Curative and Rehabilitative health services
2. Providing Promotive and Preventive health services
3. Serves as a referral facility for level 4 hospitals within the county and the surrounding region
4. Providing facilities for training of KMTC students and various universities across the nation.

Vision
A regional teaching and referral hospital of excellence in health care delivery and training of healthcare professionals.

Mission
To provide health care services that are equitable, accessible and accountable to the people of Embu County through participatory leadership.

Core Objectives
- ❖ Accountability and Responsibility
- ❖ Teamwork and Excellence
- ❖ Transparency and Integrity

- ❖ Courtesy and professionalism
- ❖ Equity and Equality

(c) Key Management

The hospital day-to-day management is under the following key organs:

(i) Board of Directors

The Hospital Board was appointed through a gazette notice and provides the following key responsibilities.

a) Determine Embu Level 5 Hospital vision, mission and core values
b) Set and approves significant policies for the hospital
c) Ensure that the hospital strategy is aligned to the long term goals for the benefit of patients and other stake holders.
d) Approves the annual budgets for the hospital
e) Oversees and monitors the general performance of the hospital
f) Mobilising of adequate resources and ensuring sustainability for the running of the hospital operations.
g) Protecting the assets of the hospital.

(ii) Accounting Officer/ Chief Executive Officer

The key responsibilities for the Medical Superintendent include;

a) Overseeing implementation of board resolutions
b) Providing support to board of management for effective oversight
c) Review and recommend appropriate actions for strategic operational plans and policies
d) Approving departmental requisitions
e) Chairing various hospital committees
f) Acting as the secretary to the Board of Management meetings
g) Review patients' safety efforts
h) Ensuring effective communication within the hospital
i) Prudent management of the resources
j) Monitoring and evaluating performance

(iii) Hospital Management Team

The team consists of selected departmental heads. It meets on a monthly basis and the key responsibilities includes;

a) Evaluates implementation of the recommendations and resolutions of the hospital management committee
b) Supports Hospital Management Committee through effective oversight
c) Evaluates hospitals short and medium term health care service effectiveness
d) Review and recommend appropriate actions for various departments' effective performance.
e) Review performance improvement activities.
f) Review and re prioritize utilization of hospital resources
g) Review challenges experienced by departments in the implementation of strategic plan
h) Coordinate and prioritize hospital upcoming activities
i) Preparing annual development work plans for the hospital
j) Developing proposed budgets for the hospital

(d) Fiduciary Management

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

No.	Designation	Name
1.	CEO	Ms. Bancy W. Mutuah
2.	Ag. Medical Superintendent	Dr. Stella Murugi
3.	Health Administrative Officer	Mr. George Muthinji
4.	Head of Nursing Department	Mr. Alfred Njeru
5.	Head of Accounts and Finance	CPA Pius Mukundi
6.	Head of Procurement	Mr. Crispus Makau
7.	Head of Human Resource	Ms. Nancy Njiru
8.	Head Diagnostic Services	Dr. Titus Ndugire
9.	Head Pharmaceutical Services	Dr. Frank Ndege
10.	Head Clinical Services – OPD	Ms. Fenancia Karimi
11.	Head Laboratory Services	Mr. Steve Kimachu

(e) Fiduciary Oversight Arrangements

The overall oversight responsibility of the hospital rests as follows:
a) Hospital Management Committee
b) County assembly
c) County Health Management Team

(f) Entity Headquarters

P.O. Box 33
EMBU -MERU Highway
EMBU, KENYA

(g) Entity Contacts

Telephone: (254) 722406595
E-mail: pghembu@gmail.com

(h) Entity Bankers

Family Bank Limited

Head Office
Family Bank Towers
P.O. Box 74145-00200
Nairobi, Muindi Mbingu Street

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

(k) County Attorney

P.O. Box. 140-60100
Embu, Kenya

3. The Board of Management

Ref	Directors	Details
1.	 Patrick Kinyua Njagi– Board Chairman	**Qualifications:** Diploma in Financial Management-KCA University Bachelor of Arts (BA) degree from University of Nairobi **Experience** Chairman, Metro Credit Limited Chairman, BOM Kangaru School Secretary/C.E.O National Consultative Coordination Committee on IDPS Ag. Director of Administration-Office of the President
2.	 John M. Musyimi– Member	**Qualification** - Bachelor in Business Administration - Higher Diploma in Business Administration **Experience** Director - Embu Shell BP Ltd, Director - Rain Hill Farm Ltd, Sagana
3.	 Ms. Susan Wangai Ndwiga	**Qualification** Advanced Financial Management Programme & County Leadership and Institute Governance at the ESAMI-Arusha Diploma in Community Counselling Development **Experience** Nominated MCA – Gender top-up Chairperson - Kianjokoma Sub-District Hospital

4.	 Ms. Mwashiti Abdalla	**Qualification** Diploma in Nursing from WAKA Continuing Medical Education Centre-Nyeri **Experience** Volunteer nurse at Dallas Dispensary Health care facility Nurse at Royal Heights Home Based Care-Nyeri
5.	 Mr. Alfred Nthiga Muturi – Member	**Qualification** Bachelor Degree in Biblical Leadership Diploma in Biblical Studies P1 Certificate at St. Marks Teachers College, Kigari **Experience** Director - Kenya Norman Thomas Ministries Unit Manager, Life - SANLAM Insurance. Unit Manager, Life - Jubilee Insurance P1 Teacher
6.	 Mr. Benjamin Kisilu - Member	**Qualifications:** Degree in Art & Economics from the university of Egerton Diploma in Human Resource Management - KIM. CPA(K)- KASNEB CPS(K)- KASNEB **Experience** Chief Officer Medical Services - Embu County
7.	 Mr. Damiano Muthee Njagi - Member	**Qualifications:** B.A in Art & Economics from Egerton University Diploma in Human Resource Management - KIM. CPA(K)- KASNEB CPS(K)- KASNEB **Experience** Chief Officer Finance - Embu County. Chief Officer Infrastructure – Embu County

8.	 Mrs. Bancy W. Mutuah – Ag. C.E.O	**Qualification** Masters of Early Education from Mount Kenya University - Ongoing. Bachelor of Education degree from Kenyatta University. **Experience** She has over twenty one years of experience in management. Chief Officer Gender – Embu County Age 55 years.
9.	 Dr. Stella – Ag. Medical superintendent	**Qualification** Consultant Physician – Internal Medicine MBChB (UoN). MMed – Internal Medicine (Moi University). She is a Full member of KMPDC. **Experience** Medical Doctor and over ten years delivering patient-centered care across diverse clinical settings. Acting Medical Superintendent, Embu Level 5 Hospital.

4. Key Management Team

Ref	Management	Details
1.	Mrs. Bancy W. Mutuah – Ag. CEO Currently pursuing her Masters of Early Education from Mount Kenya University. She holds a Bachelor of Education degree from Kenyatta University.	**Responsibilities**; Hospital CEO responsible for providing strategic leadership and general hospital administration.
2.	Dr. Stella Murugi – Ag. Medical superintendent Consultant Physician – Internal Medicine, MBChB (UoN); MMed – Internal Medicine (Moi University)	**Responsibilities**; Overall, in charge of clinical services in the facility.
3.	Mr. George Muthinji – Health Administrative Officer He holds a Diploma in Business Management from St Pauls University. Prior to his appointment, he worked as a Senior Operations Officer at Gulf African Bank Ltd, a leading Islamic bank in Kenya. He has 15 years' experience in operations and administration.	**Responsibilities;** Co-ordination of all support services, coordination of all hospital administrative functions, supervision and development of support staff.
4.	Mr. Alfred Njeru – Nursing Services Manager He holds a bachelors degree in nursing services from university of Nairobi and masters degree from Kenyatta university.	Responsibilities; Head of nursing department in the hospital.
5.	CPA Pius Mukundi – Accountant i/c He holds a bachelors degree in Commerce (Accounting) option from CUEA and is a member of the Institute of Certified Public Accountants (CPA K) and the Institute of Certified Public Secretaries (CPS K). Prior to his appointment, he was the Head of Accounting Unit at Embu County Treasury. He has over 20 years' experience in accounting, finance and audit.	**Responsibilities;** Supervision of revenue collection in the hospital, preparation of budgets, preparation of financial reports, reconciliation of accounts payable and receivables, reviewing monthly invoices from vendors, assisting in both internal and external audit exercises

5. Chairman's Statement

I am pleased to present the hospitals 2024/2025 annual report and financial statements. The Hospital Board is proud of the successes and achievements realised by the hospital in this period towards attaining our vision of "A regional teaching and referral hospital of excellence in health care delivery and training of healthcare professionals".

Bearing in mind the difficult financial environment at the start of the financial year where the hospital started implementing Embu County Health Services Act, 2024 with pending bills of Kenya shillings Thirty Million owed to Kenya Medical Supplies Authority, our main supplier of medical commodities, among other suppliers. I wish to applaud our staff for their commitment in ensuring that they provided quality service delivery to meet our patients' expectations.

Embu Level Five Hospital as the county referral hospital offers general and specialized health care to patients from within the county and the surrounding regions. The general services include outpatient and inpatient. Specialized services include, neurosurgery, orthopaedic surgery, obstetrics and gynaecology, new born unit, renal dialysis, oncology and special clinics. We are committed through well-structured processes and innovations to ensure seamless quality care is offered to citizens in above areas.

Compliance

The operations of the hospital are guided by existing legal, policy and institutional frameworks that regulate health sector to ensure efficient and effective service delivery in the hospital. We also ensure that our staff comply with requirements of the various regulatory bodies such Kenya Medical Practitioners and Dentist Council, the Kenya Nursing Council and the Kenya Accreditation Service (KENAS). The hospital also observes full compliance with the Public Procurement and Asset Disposal Act, 2015, Public Finance Management Act, 2012, Embu County Health Services Act, 2024 as well as the Constitution of Kenya 2010 when procuring and managing its resources. The Constitution of Kenya article 43(2) provides that no person shall be denied emergency medical treatment. Relatedly, the 2013 Ministry of Health National Patients' Rights Charter provides that every patient has a right to receive emergency treatment in any health facility. The Charter goes further to state that, in emergency situations, irrespective of the patient's ability to pay, treatment to stabilize the patient's condition shall be provided. With this in mind, the Hospital Board is committed to ensure continued quality service delivery to the citizens.

Patients care and Infrastructure.

The physical environment of a hospital can have a significant impact on patient outcomes and recovery time. The environment can also affect the hospital's ability to provide care. For example, a cluttered room may make it difficult to find necessary supplies. By creating a positive environment, the hospital can help promote healing and positive outcomes for their patients. During the year under review, the board lobbied for resources to improve the infrastructure in the hospital. A total of Kenya Shillings One Hundred Million, Five Hundred Five Thousand, Nine Hundred Thirty-Seven was allocated to the hospital by the County government. The budget was for construction of buildings at a cost of Kshs. 50,386,897, Refurbishment of buildings at Kshs. 17,350,000 and Kshs. 32,769,040 for purchase of medical equipment.

Resource Management and limitations

Healthcare is changing rapidly. One of the most significant changes is the way that modern society view healthcare. In response to public demand for high-quality care at low cost, Embu Level 5 Hospital took a broader, more encompassing view of the total cost of patient care. Resource management is emerging as the discipline to integrate the healthcare delivery process. Resources comprise time, money, people, facilities, equipment, information, pharmaceuticals, and fixed assets. Our central question is: "How can we optimize resources to maximize patient wellness?"

Embu Level 5 Hospital relies on several sources of funding, i.e. National Government, County Government and Donors as well as health insurance schemes. Unfortunately, limitations in implementing an overall healthcare financing strategy has hindered effective planning, budgeting and provision of health services. This challenge has however been partially addressed by enactment of Embu County Health Services Act, 2024 which allows the hospital to mobilize resources for implementation of its functions. This has reduced the time taken to requisite for funds to pay for medical supplies ensuring reduced stock outs of key commodities. The health system has also struggled with stagnant or declining budgets for healthcare workers, system inefficiencies, persistently poor service quality and lack of equity. Future planning needs to recognize that "reversing the trends" cannot be achieved by the government health sector alone. Active involvement and partnership with other stakeholders in the provision of care should be intensified.

The goal should be a functioning health system that relies upon collaboration and partnership among all stakeholders, and whose policies and services have an impact on health outcomes. The system should encompass a sector-wide approach and emphasize flexibility for rapid disbursement and constant monitoring of budgetary resources. Embu Level 5 Hospital endeavoured to optimize the limited resources that were at its disposal during the year.

Acknowledgement

On behalf of the board, I wish to thank all the stake holders who endeavoured to see Embu Level 5 Hospital meet the patients' expectations during the year. More specifically, I acknowledge the numerous supports offered by Her Excellency the Governor in seeing the hospital recover from many challenges that had previously bedevilled it. Also, the department of health and the County Assembly of Embu for enacting the Embu County Health Services Act, 2024 which has improved the management of healthcare in Embu County. Finally I applaud the entire Embu Level 5 staff for unified efforts they exhibited in their roles.

Name: Patrick Kinyua Njagi



Chairman –Hospital Management Committee (Board)

5. Report of the Chief Executive Officer

It is my pleasure to present the Hospital's annual report and financial statements for the year 2024/2025. The report highlights the hospitals operational and financial performance and way forward for our strategy.

Operational Performance

The hospital provides both general and specialized health care services to our patients. This has been made possible by ensuring that we have the appropriate medical personnel in various departments who ensure that our patients get quality health care and services. In 2024/2025, the hospital attended to 170,710 patients of whom 14,518 were inpatients. During the year the hospital surgeons successfully conducted 1,894 major surgeries and 661 minor surgeries. This is a big milestone for the residents of Embu County who would have otherwise sought for these intricate services in national referral hospitals or even abroad.

Infrastructure

The healthcare industry across the world is rapidly changing and adapting to new challenges. While these seismic shifts happen, infrastructure and facility management need to remain a priority, ensuring patient safety and consistency in public health, and minimal disruption to clinical services. Well-planned and managed infrastructure supports the fundamental aim of promoting improved standards of patient care and well-being twinned with a good experience of the healthcare system.

During the year, several infrastructural projects were undertaken in the hospital such as completion of Badea block B, installation of a second cold room equipment in the morgue, acquisition of theatre equipment, cabro blocks paving at mortuary area and ward 5. Ward 9 was renovated, new equipment for medical wards and dental unit were also commissioned. The armoured cable supplying power to radiology department was replaced as well as replacing of Medical Oxygen Flow meters in various wards.

A review in the International Journal of Environmental Research and Public Health from 2017 stated that "Viewing nature has been repeatedly demonstrated to provide a range of benefits for human health and well-being. Benefits include reduced anxiety, reduced stress, shorter hospital stays, lower heart rate, and increased directed attention." The review goes on to explain that "It has repeatedly been shown that the sounds of nature such as wind, water, and animals, are preferred over anthropogenic sounds such as traffic, recreational noise, and industrial noise ... Nature sounds have been used therapeutically to relieve stress." These considerations about the sensorial environment and atmosphere of all spaces within a hospital and how they affect stress levels are vital for a good patient experience and healing, as well as facilitating the important work of staff. Embu Level 5 Hospital being alive to these facts continue to plant many ornamental trees and flowers as part of hospital CSR activities. This has made many patients visiting the facility applaud the management for a cleaner and a better patient friendly environment compared to previous years.

Support departments

The hospital saw improved services at the laboratory, radiology, pharmacy, Revenue Collection departments compared to previous period. This was achieved through increased supplies in the hospital.

The laboratory department received main reagents which are key in testing of basic laboratory tests. Radiology department managed to have the MRI serviced besides supply of consumables for CT scan and X-ray machines. This led to an increased patient flow to the department raising revenue levels. Pharmacy department likewise was able to fill stocks which had been completely depleted at the beginning of the financial year. Drug issuance, monitoring and control measures were put in place leading to increased accountability and consequently more revenue generation by the department.

Financial Performance

In order to meet the costs of operations and maintenance, the hospital relies on approved budgets by the county assembly. During the year under review, the approved budget for the hospital amounted to Kshs. 445,935,730 and Kshs. 100,505,937 for Recurrent and Development respectively. The hospital was able to generate total revenue amounting to Kshs. 497,996,923 from rendering of medical services. This was an increase of 80% compared to the previous financial year. This increase was attributed to increased supply of drugs, non- pharmaceuticals and other commodities during the year. Tariff enhancement by Social Health Authority in some instances such as Kshs. 10,000 for normal delivery and Kshs 30,000 for caesarean delivery compared to NHIF tariffs that reimbursed Kshs. 5,000 and Kshs. 10,000 for normal and caesarean delivery respectively contributed to increased revenue. The hospital revenue was however negatively affected by waiving of patients' medical bills amounting to Kshs. 23,358,873, representing 4% of the total recognized revenue. This is posing a challenge to the hospital's overall ability to offer quality services to the patients. Social Health Authority had also not reimbursed claims amounting to Kshs. 79,342,387 by the close of the financial year.

Limitations and way forward

The hospital has been growing steadily over the last number of years. However, the growth has not been matched with the prerequisite funding to support the necessary services. There has been continued shortage of the necessary supplies due to the said underfunding. On the same note, the staffing numbers have also not been matching the growth. The remedy for this is to solicit for additional funding as we strengthen our internal control systems to ensure there are no leakages in revenue collection and administration. This will ensure vendor payments are fully done thus allowing for adequate supplies in the hospital. We shall also continue with negotiations with the office of the Embu County Public Service Board, for recruitment of more staff so as to match the required norms for a level 5 hospital.

Acknowledgement

I wish to acknowledge H.E The Governor, our development partners, the leadership of the health department and other stakeholders. We are very grateful for the continued support that has enabled us offer quality care to our patients. To all our staff, service to humanity is service to God. May the Almighty God reward you for your kind devotion and commitment in serving our patients.

Bancy W. Mutuah
Chief Executive Officer/ Secretary to the Board

1. Statement of Performance Against Predetermined Objectives

Embu Level 5 Hospital has Seven (7) strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2023- FY 2027. These strategic pillars/ themes/ issues are as follows:

- Pillar/theme/issue 1: Health workforce development
- Pillar/theme/issue 2: Health products and technologies
- Pillar/theme/ issue 3: Health policy, planning and financing
- Pillar/theme/ issue 4: ICT Infrastructure enhancement
- Pillar/theme/ issue 5: Hospital Infrastructural development
- Pillar/theme/ issue 6: Quality assurance and standards
- Pillar/theme/ issue 7: Research

Embu Level 5 Hospital develops its annual work plans based on the above 7 pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Embu Level 5 Hospital achieved its performance targets set for the FY 2024/2025 period for its 3 strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/ Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar/ theme/ issue 1: Health workforce development	Health workers Recruited, Promoted and Outsourced	Recruit additional health workers, promote existing ones and outsource for specialized services	Recruit additional health workers, promote existing ones and outsource for specialized services	No recruitments in the Fy. 2024-25. Promotions for healthcare workers took place in Fy. 2024/ 2025. 65 UHC staff worked at the hospital 5 health

				workers from MOH and 25 funded by partners and donors
Pillar/ theme/ issue 2: Health Products and Technologies	Biometric system Adequate pharmaceutical & Non pharms products, Linen, Lab products, radiological, Ophthalmic, ICU & dental commodities,	-To instal biometric system at the hospital -To acquire enough products and commodities	-To instal biometric system at the hospital - To acquire enough products and commodities	Not achieved -The hospital was in apposition to procure products and commodities
Pillar/ theme/ issue 3: Health policy, planning and financing	Health strategic plans prepared	Health strategic plans prepared	Number of strategic plans prepared	One (1) plan was prepared
Pillar/ theme/ issue 4: ICT Infrastructure enhancement	Shared network connectivity	Hospital processes automated	System development and installation	Ongoing
Pillar/ theme/ issue 5: Hospital Infrastructural development	Continuous upgrading of hospital infrastructure	Operationalizatio n of private wing (Badea B)	Construction works ongoing	BADEA block completion works ongoing

Pillar/ theme/ issue 6: Quality assurance and standards	Hospital assessed for quality service delivery	Hospital assessed for quality service delivery	Facility inspected through JHI	Work in progress
Pillar/ theme/ issue 7: Research	To have Publications, Surveys Operational Research, and Findings done	To have health and research surveys and collaborations with various institutions.	To have research surveys and collaborations with various institutions published	Work in progress

8. Corporate Governance Statement

Introduction

Corporate governance is at the heart of the successful running of the hospital. It has not only led to improvement of the overall performance, but also has promoted trust among our stakeholders. Good corporate governance has been key in ensuring that our patients get quality health care and value for money. Our structures and process have fastened the principles of good corporate governance which include accountability, participation, transparency, responsiveness, effectiveness and efficiency and the rule of law.

Board of Directors

Hospital board is established by the Embu County Health Services Act, 2024 (10). Embu Level 5 Hospital Board consists of non-executive Chairman appointed by the Governor with the approval of the county Assembly, County Hospital CEO as board secretary and *ex-officio*, County Hospital Medical Superintendent as *ex-officio*, Chief Officer medical services or representative, Chief officer finance or representative and Four (4) County residents with relevant knowledge and experience appointed by the Governor with the approval of the County Assembly.
They board serve for a term of 3 years after their names have been published in the Kenya Gazette.

Hospital Board composition.

The members of the Hospital Management Committee who served during the year are as shown below;

SN	Board Member	Board Position	Appointment Date
1	Mr. Patrick Kinyua	Chairman	26th March 2025
2	Mr. Alfred Muturi	Member	26th March 2025
3	Mr. John M. Musyimi	Member	26th March 2025
4	Ms. Susan Wangai	Member	26th March 2025
5	Ms. Mwashiti Abdalla	Member	26th March 2025
6	Mr. Damiano Muthee	Member	26th March 2025
7	Mr. Benjamin Kisilu	Member	26th March 2025
8	Mrs. Bancy W. Mutuah	Ag. CEO	26th March 2025
9	Dr. Stella M. Gichovi	Ag. Medical Superintendent	26th March 2025

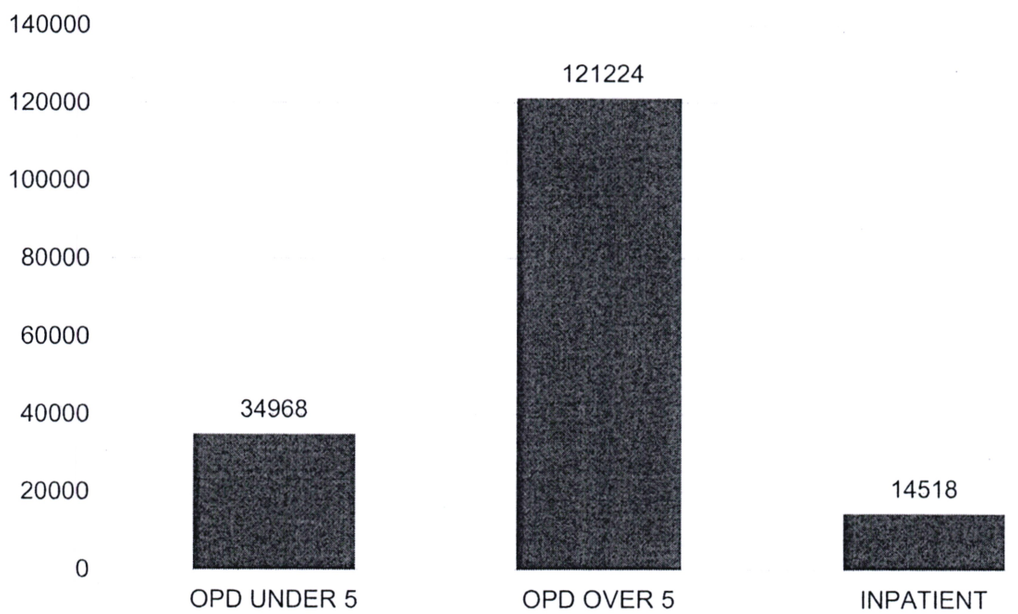
Hospital Board meetings.

The hospital board or committee shall meet not less than six times and not more than twelve (12) meetings in every financial year and not more than four months shall elapse between the date of the next meeting. The Chairperson may, and upon requisition in writing by at least half of the members shall convene a special meeting of the Board or Committee at any time for the transaction of the business of the Board or Committee.

9. Management Discussion and Analysis

Embu Level 5 Hospital continues to provide range of healthcare services to it catchment population Kenyans. Specialized services include, specialized outpatient clinics, inpatient services, theatre services, ENT, Ophthalmology, Dental among others. The hospital also provides clinical support that include laboratory, pharmacy and radiology services. The catchment population is estimated at 33,283 persons and the hospital provides various specialized and general services.

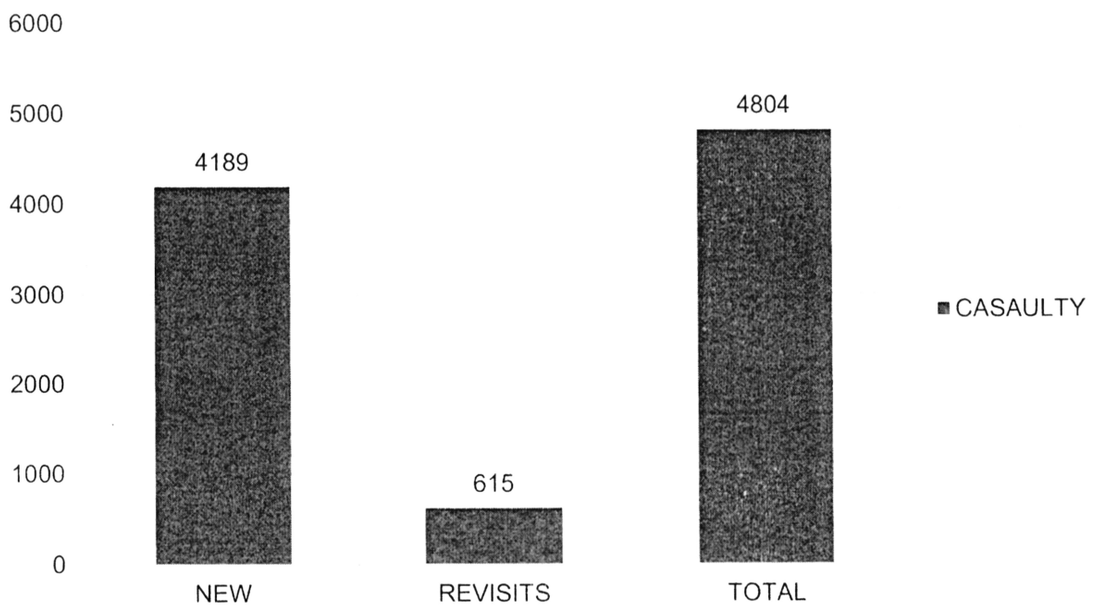
OUTPATIENT WORKLOAD



The outpatient services were offered to 34,968 under five years and 121,224 patients who were over five years.

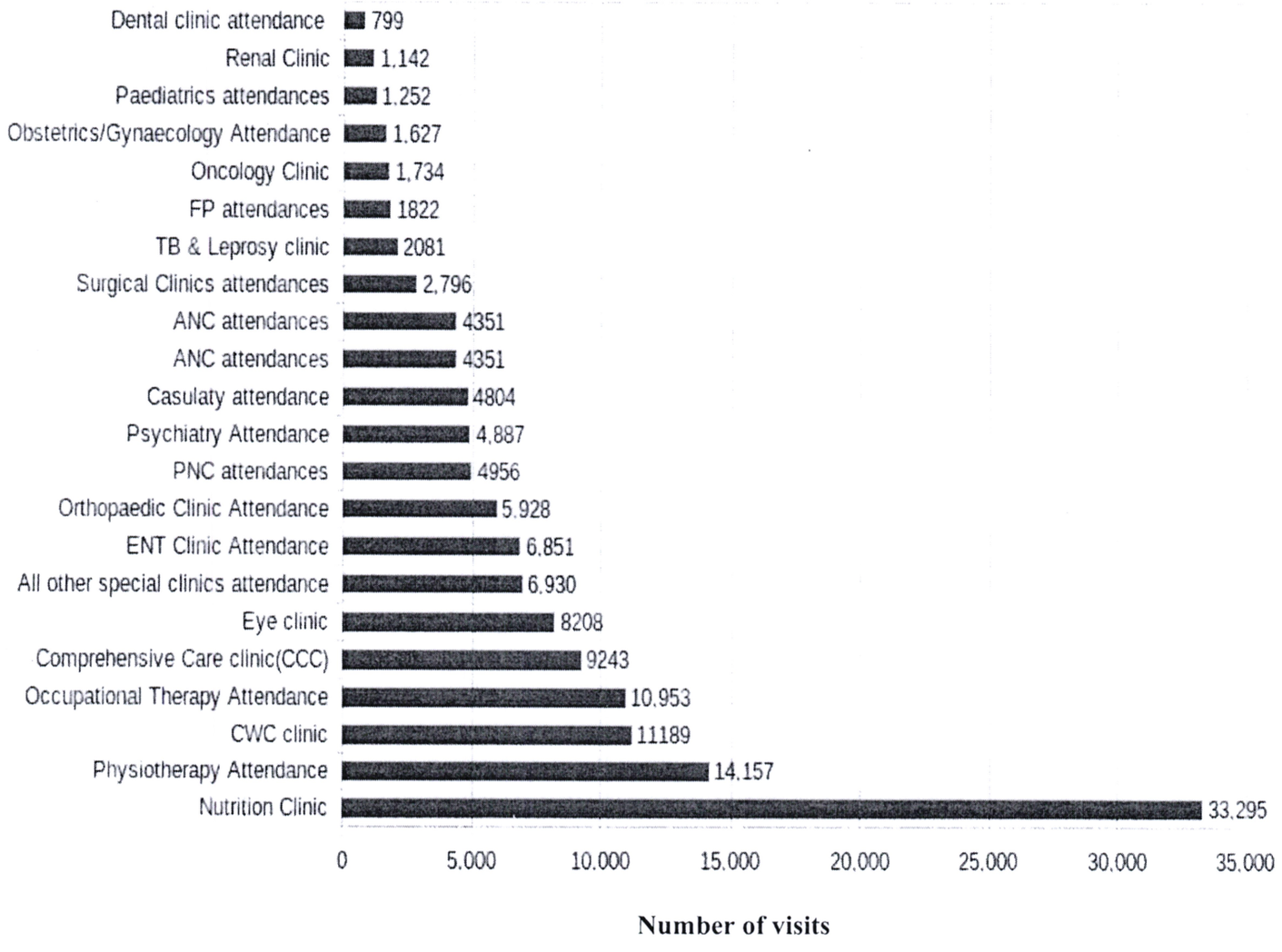
During that financial year under review the hospital admitted 14,518 patients, out of those 2,513 admissions were under five,11,088 above five years and 917 were new-borns of 0-28 days.

Accident and Emergency Attendance



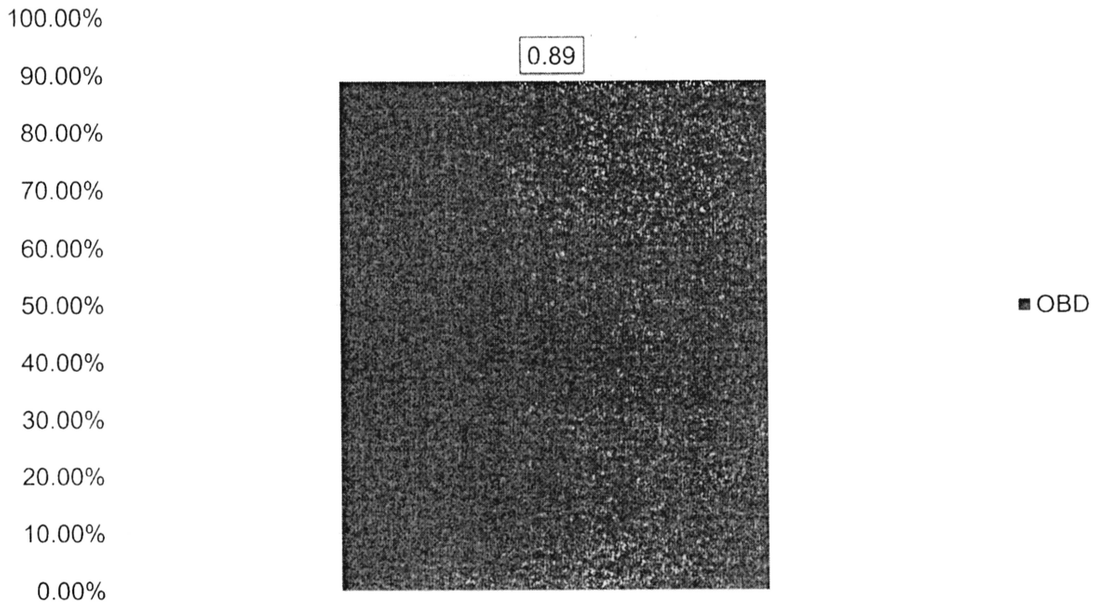
Clinic Attendance

This a representation of clinic attendance for 1st July 2024 to 30th June 2025. Nutrition clinic has the largest number of clients for that financial year.

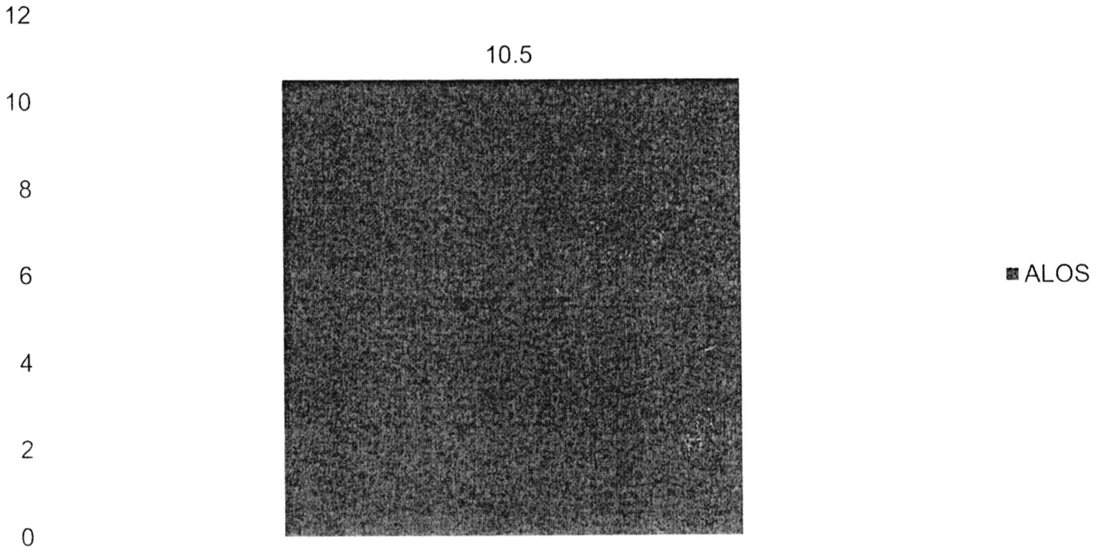


Bed Occupancy Rate

The Bed occupancy rate is at 89% meaning efficient resource utilization of the facility. It can also be a danger sign of impending overcrowding in the wards.

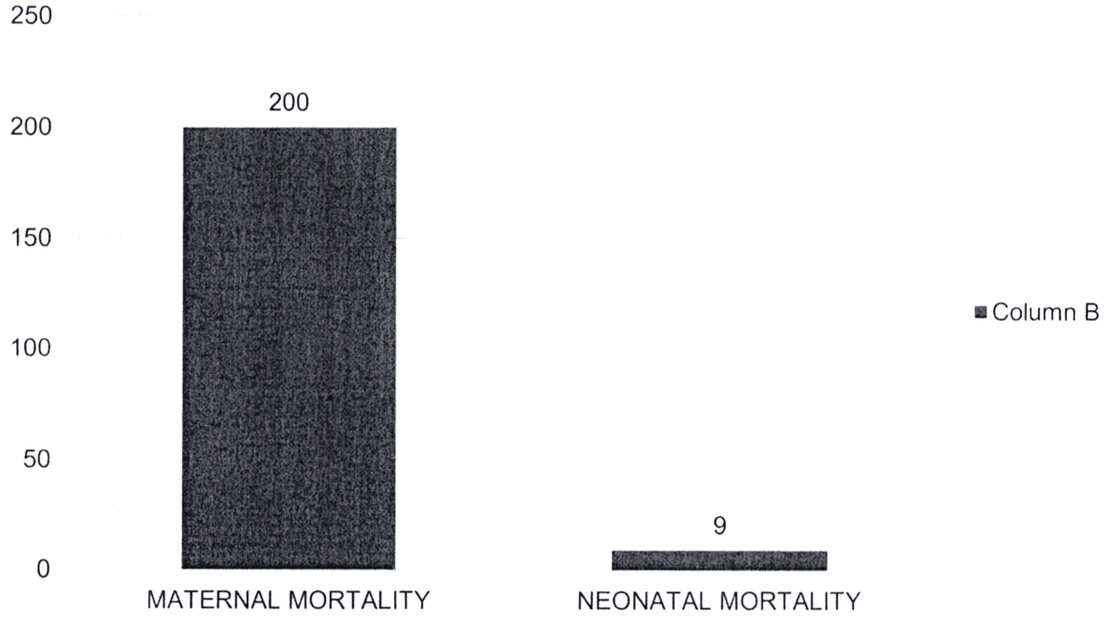


Average Length of Stay in Days



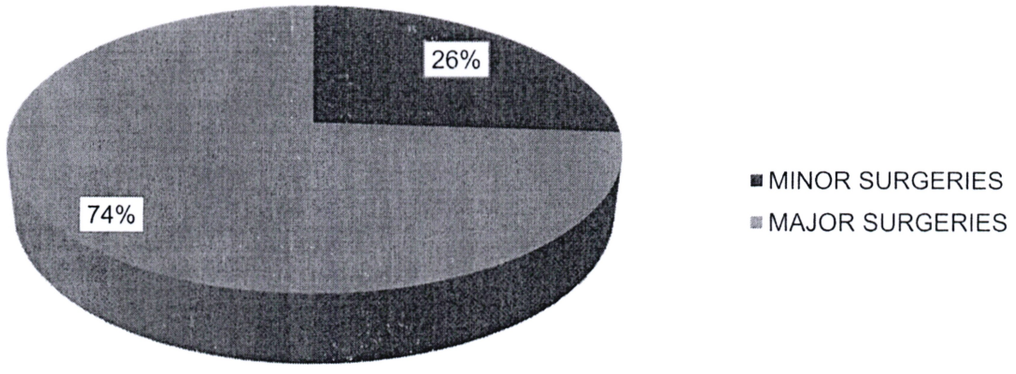
Mortality Rate

The maternal mortality rate is 200 mothers per 100,000 live births which compares favourably to the National ratio of 364 per 200,000. Neonatal was at 9 deaths per 1000 livebirths.



SURGERIES

There were 1894 major surgeries performed and 661 minor surgeries



.....

Name: Bancy W. Mutuah

Secretary to the Board

10. Environmental and Sustainability Reporting

Embu Level 5 Hospital exists to transform and impact on lives of clients and community. The management strive to achieve this through; -

i) Sustainability strategy and profile

The management ensures that in offers it services at affordable rate that will ensure recouping of investment on products. There will be continuous stakeholders' engagement to ensure service are responsive to the community.

ii) Market place practices-

It is the responsibility of the management to ensure while dealing with clients and suppliers, the market place practices are adhered to by:

a) Responsible competition practice.

Suppliers will be selected competitively from listed supplies through issuance of quotation, ensure participation of wide range of suppliers, in conducting the procurement the management ensure separation of player in the process from opening, evaluation, inspection and acceptance process.

iii) Corporate Social Responsibility / Community Engagements

The management strive to engage community and client through period customer satisfactory surveys, the hospital employs a waiver system that protect the vulnerable members.

11. Report of The Board of Management

The Board members submit their report together with the Audited Financial Statements for the year ended 30th June 2025, which show the state of the Embu Level 5 Hospital's affairs.

Principal activities

The principal activities of the entity are to provide specialized healthcare to patients within and outside Embu County and provide training facilities to students of the Universities of Embu, Chuka University and Kenya Medical Training College.

Results

The results of the entity for the year ended 30th June 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 xix. During the year, one director died in office, and no director was appointed in the year under review.

Auditors

The Auditor General is responsible for the statutory audit of the Embu Level 5 Hospital in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board

.....

Name: Bancy W. Mutuah

Secretary to the Board

12. Statement of Board of Management's Responsibilities

Section 164 of the Public Finance Management Act, 2012 Government Financial Management (Hospital Management Services) Regulation 2009 requires the Board of Management to prepare financial statements in respect of that Embu Level 5 Hospital, which give a true and fair view of the state of affairs of the Embu Level 5 Hospital at the end of the financial year/period and the operating results of the Embu Level 5 Hospital for that year/period. The Board of Management is also required to ensure that the Embu Level 5 Hospital keeps proper accounting records which disclose with reasonable accuracy the financial position of the Embu level 5 Hospital. The council members are also responsible for safeguarding the assets of the Embu Level 5 Hospital.

The Board of Management is responsible for the preparation and presentation of the Embu level 5 Hospital's financial statements, which give a true and fair view of the state of affairs of the Embu Level 5 Hospital for and as at the end of the financial year ended on 30th June 2025. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the Embu level 5 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 Embu Level 5 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 and Government Financial Management (Hospital Management Services) Regulation 2009. The Board members are of the opinion that the Embu Level 5 Hospital's financial statements give a true and fair view of the state of Embu Level 5 Hospital's transactions during the financial year ended 30th June 2025, and of the Embu Level 5 Hospital's financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the Embu Level 5 Hospital, which have been relied upon in the preparation of the Embu Level Hospital's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Board of management to indicate that the Embu Level 5 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 **22nd August 2025** and signed on its behalf by:

.....	.....
Name: Patrick Kinyua	**Name: Bancy W. Mutuah**
Chairperson	**Accounting Officer**

REPUBLIC OF KENYA

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

REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON EMBU LEVEL 5 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2025 – COUNTY GOVERNMENT OF EMBU

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 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 Embu Level 5 Hospital set out on pages 1 to 60, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net

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

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Embu Level 5 Hospital as at 30 June, 2025, and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis), and comply with the , the County Governments Act, 2012, the Health Act, 2017 and Public Finance Management Act, 2012.

Basis for Qualified Opinion

Unsupported Land

The statement of financial position reflects property, plant and equipment net book value of Kshs.949,362,608 as disclosed in Note 30 to the financial statements which includes land valued at Kshs.387,000,000. Review of the Hospital records indicated that the Hospital owns 10.45 hectares of land. However, the Hospital has not secured a title deed for the land and no valuation reports were provided for audit purposes. Included in this balance is land estimated at a value of Kshs.3,870,000 whose physical verification conducted in October, 2025 revealed that the parcel of land housing the MCH unit, located opposite the Hospital, is not fenced and has been encroached. Illegal structures, including a salon, car wash, and stalls, have been erected, and outsiders are carrying out farming activities on the land. The Hospital Management has not taken any action to reclaim or secure the encroached property.

In the circumstances, the accuracy, completeness and ownership of the land valued at Kshs.387,000,000 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Embu Level 5 Hospital's Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.546,441,667 and Kshs.1,195,621,059 respectively resulting in overperformance of Kshs.649,179,392 or 119% of the budget. However, the Hospital spent Kshs.1,110,977,654 and the actual receipts of

Kshs.1,195,621,059 leading to under-utilization of Kshs.84,643,405 or 7% of the actual receipts.

The over performance casts doubt to the credibility of the budget documents approved.

The under-utilization affected the planned activities and may have impacted negatively on service delivery to the public. Further, the over expenditure was not supported.

My opinion is not modified in respect of the above 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 effects of the matter described in the Basis for Qualified Opinion Section of my report, I have determined that there are no other key audit matters to report in the year under review.

Other Matter

Unresolved Other Matters

In the prior years' audit reports, three issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources. Review of the status during audit of the Embu Level 5 Hospital's in 2024/2025 revealed that several matters remained unresolved and have been reiterated as substantial paragraphs since they are recurring. This is as summarized in attached Appendix.

Other Information

Board of Management is responsible for the Other Information set out on page i to xxvi which comprise of Board Information and Overall Performance, Statement of Performance Against Board's Predetermined Objectives, Environmental and Sustainability Reporting and Statement of Board's Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Level 5 Hospital's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this Other Information and I am required to report that fact. I have nothing to report in this regard.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Long Outstanding Trade Payables

The statement of financial position and as disclosed in Note 33 to the financial statements reflects trade and other payables balance of Kshs.197,536,767 which includes a balance of Kshs.192,987,674 in respect to trade payables. However, review of the ageing analysis provided showed that a total balance of Kshs.80,121,947 had been outstanding for a period exceeding one year. Management did not provide an explanation for failing to settle the long-standing creditors contrary to Section 53 (8) of the Public Procurement and Asset Disposal Act, 2015 which states that 'an Accounting Officer shall not commence any procurement proceedings until satisfied that sufficient funds to meet the obligations of the resulting contracts are reflected in approved budget estimates'.

In the circumstances, the Hospital Management was in breach of the law and there is risk loss of public funds through litigations, interests and penalties.

2. Expired Serviceability Contract

As previously reported, the audit review on the Managed Equipment Services (MES) showed that at the time of audit in the month of September, 2025, the contracts between maintenance service providers and the Ministry had expired. Therefore, some equipment including Leoni Mobil CPAP ventilator, blood gas analyzer, MX500 monitor, ventilator, nebulizer, electric bed, suction pump, syringe, pump and infusion pump were not serviced at the time of audit posing the following risks:

- Increased infection risk through outdated sterilization equipment might not effectively eliminate pathogens, increasing the risk of healthcare associated infections.
- Regulatory and Legal consequences through operating with expired equipment can lead to violations of health regulations, resulting in fines, loss of accreditation or legal liability in the event of adverse outcomes.

In the circumstances, maximum benefits from the equipment could not be confirmed.

3. Failure to Deduct and Remit Public Procurement Capacity Building Levy

Review of records revealed that the Hospital entered into contracts but no documentary evidence has been provided to confirm that the County Executive complied with paragraph 3(1) of the Public Procurement Capacity Building Levy, Order 2023 which states that there shall be paid a levy by a supplier on all procurement contracts signed between the supplier and a procuring entity, at the rate of zero point zero three per centum (0.03%) of the value of the signed contract, exclusive of applicable taxes. In addition, Public Procurement Regulatory Authority (PPRA) circular No. 01/2024 dated 30 August which requires procurement entities to remit the levy to the Authority through the e-Citizen payment platform by the 20th day of the subsequent month and also file monthly returns.

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

4. Failure to Budget for Climate Change and Climate Financing

Review of the Hospital's annual budget and financial plans revealed that the Hospital did not make any provisions for climate change mitigation or adaptation programs, nor for climate financing initiatives. There was no evidence of planned allocation of funds for projects or activities aimed at addressing climate risks, such as water source protection, energy-efficient operations, waste management improvements, or climate resilience measures. This was contrary to The National Climate Change Act, 2016, obligates public entities to mainstream climate change measures into their operational and development plans and to allocate adequate resources to address climate resilience and adaptation.

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

5. Deficiencies in Implementation of Universal Health Coverage (UHC) – Inadequate Resourcing

Review of hospital records, interviews, and verification of services, equipment, and medical specialists in the Hospital at the time of audit revealed that the Hospital did not meet the requirements set out in the Kenya Quality Model for Health Policy Guidelines as shown below;

Staff Requirements	Level 5 standard	Number in Hospital	Variance	Percentage %
Medical officers	50	17	33	66
Anesthesiologists	6	2	4	66.7
General surgeons	4	3	1	25
Gynecologists	3	2	1	25

Staff Requirements	Level 5 standard	Number in Hospital	Variance	Percentage %
Pediatricians	4	2	2	50
Radiologists	4	2	2	50
Kenya Registered Community Health Nurses	260	131	129	49.6
Medical Laboratory	50	24	26	52
Dental Officers	10	2	8	80
BSN Nurses	12	23	-11	191.7
Clinical Pharmacists	4	1	3	75
Clinical Officers in Anesthetics	15	8	7	46.7
Critical Care Nursing	20	17	3	15
Dental Technologist	10	1	9	90
General clinical officers (Diploma)	44	24	20	45.5
Kenya enrolled the community health nurses	250	6	244	97.6
Nutrition & Diabetes officers	20	2	18	90
Oncology nurses	10	4	6	60
Pediatric Nurses	10	1	9	90
Psychiatrist nurses	20	9	11	55
Accountant	6	2	4	66.7
Total	812	**283**	529	**65.3**

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

Service	Level 5 Hospital Standard	Actuals in the Hospital	Variance	Percentage %
Beds	500	618	118	123.6
Newborn unit incubators	10	3	7	30
ICUs	12	6	6	50
High Dependency Unit (HDUs)	12	3	9	50
Operational theatres	7	7	0	0
Maternity department ward for six delivery coaches.	6	3	3	50
New Born Unit with ten (10) incubators	10	3	7	30
New Born Unit with six HDU cots	6	0	6	0

Further, review of the hospital operations reveals the following weakness.

i) Mortuary Management

The hospital has four (4) cold rooms, of which only three (3) are operational with a combined storage capacity of eighteen (18) bodies. However, verifcation conducted in October, 2025 revealed that the mortuary was holding seventy (70) bodies, far exceeding its designed capacity.

ii) Non-Functional MRI Machine

The Hospital lacks a functional MRI machine despite its designation as a referral.

iii) Faulty Medical Equipment

Inspection of medical equipment revealed widespread malfunctioning: out of 10 dialysis machines, only 5 were operational; 5 out of 6 anesthesia machines were functional; 2 out of 3 ambulances were working; 6 out of 10 ICU machines were faulty; the CT scan machine had been recently installed but not yet operationalized; and with only one X-ray machine in use.

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

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

In the circumstances, the deficiencies denied the public the rights to health care services.

6. Non-Compliance with the Staff Ethnic Composition

Review of human resource records revealed that in the year under review, the Hospital had a total of four hundred and forty-six (446) employees out of which, seventy-one (71) employees were classified as job group M and above. Out of the seventy-one (71) employees, thirty (30) employees or forty-two (42) percent were drawn from one ethnic community. This is contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which stipulates that no public establishment shall have more than one third of its staff from the same ethnic community.

In the circumstances, Management was in breach of the law

7. Lack of a Health Plan

During the year under review the Hospital was fully operational. However, no health plan, including the human resource strategy, performance management, and development, strategies in place towards communicable and non-communicable diseases and conditions, and on the implementation of National Policies at the County level. This was contrary to Section 28 (1) of the Embu County Health Services Act, 2024 which states that, the Department shall in accordance with provisions of the County Governments Act, 2012, prepare a ten-year health plan which shall provide, among others, (a) Investment in physical infrastructure in the County Health Facilities, (b) human resource strategy, performance management, and development, including recruitment of contracted health personnel in case of a deficit in the staff establishment, (c) strategies for controlling key risk factors, including tobacco use and alcohol and drug substance abuse, and gender-based violence (d) specific and targeted strategies for controlling and mitigating the impact of communicable and non-communicable diseases and conditions, as well as injuries prevention; Implementation of national policies at the county level; strategies for Primary Health care as under section 25; strategies for community engagement and action; and any other matter that may be deemed necessary.

In the circumstances, Management was in breach of law.

8. Officers on Acting Capacity Without Proper Procedures

During the financial year under review, the Hospital had thirty-two (32) officers heading various Departments within the Hospital. However, verification of their personal files revealed that the officers were heading the various Departments without any proper appointment letters for the positions. Further, there was no evidence provided in support of their appointment or the recommendation report submitted to the Public Service Commission in support of the intention to appoint the said officers to be in charge of the respective Departments. This was contrary to Section B3 (4) of the Human Resource Policies Manual, 2016 which states that Recommendations for filling vacancies in Job

Group 'M' and above in an acting capacity shall be submitted to the Public Service Commission. Such recommendations should be accompanied by a draft indent and a seniority list of officers, including an account of their performance. Further, Section C14 (9) States that in all cases, an officer must be appointed to act in writing by the Authorized Officer or such other officer to whom the Authorized Officer may delegate such responsibility.

In the circumstances, Management was in breach of the Human Resource Policies Manual.

9. Non-Compliance with the Data Protection Act

The Hospital, being a Public Health Institution that processes large volumes of sensitive personal data, including patient health records, and operates as both a referral and training facility, falls within the threshold for mandatory registration as a data controller and a data processor as prescribed under Section 18 of the Data Protection Act, 2019. However, at the time of the audit, the Hospital had not registered with the Office of the Data Protection Commissioner, contrary to the legal requirement under Section 18(1) of the Act which states that Subject to sub-section (2), no person shall act as a data controller or data processor unless registered with the Data Commissioner

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Management of Property, Plant and Equipment

Audit of the Hospital's payment records revealed that the Management procured furniture, office tables, and office equipment's. However, review of the Hospital's asset records showed no comprehensive and up-to-date fixed asset register. Critical details such as asset descriptions, serial numbers, acquisition dates, locations, and current operational

status were not disclosed or documented, undermining the Hospital's ability to track, manage, and safeguard its fixed assets.

Physical verification carried out in June, 2025 on a sample of office desks, chairs, and desktops revealed that the items lacked location identifiers and asset tags. As a result, it was not possible to verify whether these assets were owned by the Hospital. This contravenes Regulation 136 of the Public Finance Management (County Governments) Regulations, 2015, which requires County Governments to maintain an up-to-date asset register that accurately records all fixed and movable assets.

The biomedical Department had obsolete equipment. However, the Hospital Management has not constituted a disposal committee to initiate an asset disposal process of the obsolete equipment.

In the circumstances, the controls on safeguard of assets could not be confirmed.

2. Governance Gaps in the Hospital Board of Management

Audit review of governance documentation for the financial year under review confirmed that a new Hospital Board of Management was appointed on 18 March, 2025, with all the required positions filled as per Section 10(2) of the Act. However, several governance and documentation gaps were noted such as lack of governance instruments and records such as Board Charter in breach of Mwongozo clause 1.11; annual Board Work Plan as required by Mwongozo clause 1.9, Board calendar to guide the Board's meeting schedule, attendance registers for the meetings held.

In the circumstances, the governance and operational oversight of the Hospital Board during the financial year under review was not fully aligned with statutory and best practice requirements, thereby weakening transparency, accountability, and institutional continuity.

3. Lack of Risk Management Policy Documents

Review of documents and records of the Hospital revealed that Management had not established risk management policies, and risk management strategies, which include fraud prevention mechanisms and a system of risk management and disaster recovery plans.

Further, review of information, documents, and discussions held with Management and staff of Departments revealed that the following documents were not in place; ICT policy, assets management policy, operational manuals, strategic plan, disaster recovery plan, and business continuity plan

This is contrary to the Treasury Circular No. 3/2009 mandating every institution to establish a Risk Management Framework, develop an institutional Risk Management Policy Framework, and implement systems to manage identified risks in alignment with legal, policy, and public expectations.

In the circumstances, safeguards on loss of data and other assets could not be confirmed.

4. Lack of a Strategic Plan

Review of records provided for audit revealed that the Hospital does not have an approved strategic plan contrary to Regulation 163(1) of the Public Finance Management (County Governments) Regulations, 2015 provides that internal audit planning shall be carried out based on risk assessment and shall be set out in a three-year (3) strategic plan, on the basis of which an annual internal audit activity plan shall be developed.

In the circumstances, the Hospital lacks strategic direction and benchmarks against which achievements would be measured.

5. Lack of Formal Policies on Medical Students' Placement

Review of records revealed that the Hospital hosts three hundred and eighty-six (386) medical interns, students on attachment, and those on clinical rotation from fourteen (14) academic and training institutions without any formal policy. Further, the Hospital was billed a total of Kshs.1,255,000 for medical students' services by various institutions.

Even though, no formal policy on such medical services was presented for audit verification to outline terms of engagement, responsibilities, supervision, resource contribution, or liability provisions. No impact assessment or cost-benefit analysis was conducted to evaluate how the presence of students affects Hospital operations or whether their engagement contributes positively to service delivery. The Hospital incurs resource costs (staff supervision, consumables, security, utilities, and learning support) which remain unaccounted for, with no evidence of compensation or reimbursement mechanisms in place.

In the circumstances, controls and cost benefit analysis on formal framework or policy guiding student engagement and institutional partnerships 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 Management and the Board of Management

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control 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 overall governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I also 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

20 November, 2025

Appendix - Unresolved Prior Year Matters

S/NO	Description
1	Unsupported and Unvalued Assets
2	Deficiencies in Implementation of Universal Health Coverage (UHC)
3	Non-Compliance with the Staff Ethnic Composition
4	Weak Control in Inventory Management
5	Lack of Risk Management Policy Documents
6	Sustainability of Leasing of Medical Equipment
7	Failure to Insure Hospital Equipment
8	Management of Property, Plant and Equipment
9	Lack of Refund Policy
10	Lack of a Strategic Plan

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

Description	Note	2024 /2025	2023 /2024
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	5	24,110,380	103,592,798
In- kind contributions from the County Government	6	549,226,643	685,562,893
Grants from donors and development partners	7	0	0
Transfers from other Government entities	8	0	0
Public contributions and donations	9	63,438,589	64,603,251
		636,775,612	**853,758,942**
Revenue from exchange transactions			
Rendering of services- Medical Service Income	10	508,692,355	276,047,510
Revenue from rent of facilities	11	0	0
Finance /Interest Income	12	0	0
Miscellaneous Income	13	0	0
Revenue from exchange transactions		**508,692,355**	**276,047,510**
Total revenue		**1,145,467,967**	**1,129,806,452**
Expenses			
Medical/Clinical costs	14	243,869,671	152,190,860
Employee costs	15	549,226,643	554,926,763
Board of Management Expenses	16	916,000	516,600
Depreciation and amortization expense	17	45,598,394	38,113,206
Repairs and maintenance	18	7,621,900	860,000
Grants and subsidies	19	87,499,102	70,603,251
General expenses	20	159,663,772	50,856,198
Transfer to CRF	21	1,332,043	312,000,000
Total expenses		**1,095,727,524**	**1,180,066,878**

Description	Note	2024 /2025	2023 /2024
		Kshs	Kshs
Other gains/(losses)		0	0
Gain/Loss on disposal of non-Current assets	22	**0**	0
Unrealized gain on fair value of investments	23	0	0
Medical services contracts Gains/Losses	24	0	0
Impairment loss	25	0	0
Gain on foreign exchange transactions		0	0
Total other gains/(losses)		**0**	0
Net Surplus / (Deficit) for the year		**49,740,443**	**(50,260,426)**

(The notes set out on pages 8 to 53 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on **22nd August 2025** and signed on its behalf by:

.....	.....	.....
Patrick Kinyua Njagi	**Pius Mukundi**	**Bancy W. Mutuah**
Chairman	**Head of Finance**	**Chief Executive Officer**
Board of Management	**ICPAK No: 20125**	

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

Description	Note	2023/ 2024 Kshs	2023/ 2024 Kshs
Assets			
Current assets			
Cash and cash equivalents	26	566,837	(888,659)
Receivables from exchange transactions	27	162,278,190	57,574,261
Receivables from non-exchange transactions	28	0	0
Inventories	29	37,679,546	48,012,137
Total Current Assets		**200,524,573**	**104,697,739**
Non-current assets			
Property, plant, and equipment	30	949,362,608	891,514,748
Intangible assets	31	0	0
Investment property	32	0	0
Total Non-current Assets		**949,362,608**	**891,514,748**
Total assets		**1,149,887,181**	**996,212,487**
Liabilities			
Current liabilities			
Trade and other payables	33	197,536,767	154,451,040
Refundable deposits from customers/Patients	34	0	0
Provisions	35	0	0
Finance lease obligation	36	0	0
Current portion of deferred income	37	0	0
Current portion of borrowings	38	0	0
Social Benefits	40	0	0
Total Current Liabilities		**197,536,767**	**154,451,040**
Non-current liabilities			
Provisions	36	0	0
Non-Current Finance lease obligation	37	0	0
Non-Current portion of deferred income	38	0	0
Non - Current portion of borrowings	39	0	0
Service concession liability	40	**0**	**0**

Description	Note	2023/ 2024	2023/ 2024
		Kshs	Kshs
Social Benefits	41	**0**	**0**
Total Non-current liabilities		**0**	**0**
Total Liabilities		**197,536,767**	**154,451,040**
Net assets			
Revaluation reserve		0	0
Accumulated Surplus/Deficit		32,196,962	(17,543,481)
Capital Development grant		920,153,452	859,304,928
Total Reserves		**952,350,414**	**841,761,447**
Total Net Assets and Liabilities		**1,149,887,181**	**996,212,487**

(*The notes set out on pages 8 to 53 form an integral part of the Annual Financial Statements.*)

The Hospital's financial statements were approved by the Board on **22nd August 2025** and signed on its behalf by:

.....	.....	.....
Patrick Kinyua Njagi	**Pius Mukundi**	**Bancy W. Mutuah**
Chairman	**Head of Finance**	**Chief Executive Officer**
Board of Management	**ICPAK No: 20125**	

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

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Development grant	Total
As at July 1, 2023 (previous year)		**32,716,945**	**1,013,755,968**	**1,046,472,913**
Revaluation gain				
Surplus/*(deficit)* for the year	-	(50,260,426)	-	(50,260,426)
Capital/Development grants	-	-	(154,451,040)	(154,451,040)
As at June 30, 2024 (previous year)	-	**(17,543,481)**	**859,304,928**	**841,761,447**
At July 1, 2024 (current year)	-	**(17,543,481)**	**859,304,928**	**841,761,447**
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	**49,740,443**	-	49,740,443
Capital/Development grants	-	-	60,848,524	60,848,524
At June 30, 2025 (current year)	-	**32,196,962**	**920,153,452**	**952,350,414**

(Note:

1. *The hospital has recognised capital grant of Kshs. 57,819,428 from the Embu County Government.*

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

Description	Note	2024/ 2025	2023/ 2024
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government	5	24,110,380	103,592,798
In kind contributions from County Government	6	549,226,643	685,562,893
Transfers from other Government entities	7	0	0
Public contributions and donations	9	63,438,589	64,603,251
Rendering of services- Medical Service Income	10	508,692,355	276,047,510
Total Receipts		**1,145,467,967**	**1,129,806,452**
Payments			
Medical/Clinical costs	14	243,869,671	152,190,860
Employee costs	15	549,226,643	554,926,763
Board of Management Expenses	16	916,000	516,600
Repairs and maintenance	18	7,621,900	860,000
Grants and subsidies	19	87,499,102	70,603,251
General expenses	20	159,663,772	50,856,198
Transfer to CRF	21	1,332,043	312,000,000
Total Payments		**1,050,129,131**	**1,141,953,672**
Net of Receipts and payments		**95,338,836**	**(12,147,220)**
Less increase in receivables		(104,703,929)	2,541,972
Add decrease in inventories		10,332,591	(2,413,599)
Add increase in Payables		43,085,728	154,451,040
Net Cash flow from operating expenses		**44,053,226**	**142,432,193**
Cash flows from investing activities			
Purchase of property, plant, equipment & intangible assets		(103,446,254)	(23,898,114)
Net cash flows used in investing activities		**(103,446,254)**	**(23,898,114)**
Cash flows from financing activities			
Increase in capital development grants		60,848,524	(154,451,040)
Net cash flows used in financing activities		**60,848,524**	**(154,451,040)**
Net increase/(decrease) in cash and cash equivalents		**1,455,496**	**(35,916,961)**
Cash and cash equivalents as at 1 July	26	(888,659)	35,028,302
Cash and cash equivalents as at 30 June	26	**566,837**	**(888,659)**

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	
Revenue						
Transfers from the County Government	7,331,800	18,603,930	25,935,730	24,110,380	1,825,350	93%
In Kind contribution from County Govt.	-	-	-	549,226,643	(549,226,643)	00%
Transfers from other Government entities	-	-	-	-	-	0
Public contributions and donations	-	-	-	63,438,589	(63,438,589)	00%
Rendering of services- Medical Service Income	355,000,000	65,000,000	420,000,000	497,996,923	(77,996,923)	119%
Revenue from rent of facilities	-	-	-	-	-	00%
Finance / interest income	-	-	-	-	-	00%
Development expenditure	90,284,000	10,221,937	100,505,937	60,848,524	39,657,413	61%
Total income	**452,615,800**	**93,825,867**	**546,441,667**	**1,195,621,059**	**(649,179,392)**	**219%**
Expenses						
Medical/Clinical costs	269,062,825	-	269,062,825	243,869,671	25,193,154	91%
Employee costs	-	-	-	549,226,643	(549,226,643)	00%
Remuneration of directors	1,000,000	-	1,000,000	916,000	84,000	92%
Repairs and maintenance	8,000,000	-	8,000,000	7,621,900	378,100	95%
Grants and subsidies	-	-	-	87,499,102	(87,499,102)	00%
General expenses	84,268,975	83,603,930	167,872,905	159,663,772	8,209,133	95%
Transfer to County Treasury	-	-	-	1,332,043	(1,332,043)	00%
Development expenditure	90,284,000	10,221,937	100,505,937	60,848,524	39,657,413	61%
Total Expenditure Budget	**452,615,800**	**93,825,867**	**546,441,667**	**1,110,977,654**	**(564,535,988)**	**200%**

Original budget passed by the CAE was Kshs. 452,615,800 did not factor PE and in-kind contributions from the County Executive. A number of development projects were completed but not paid for due to resource constraints at the County.

19. Notes to the Financial Statements

1. General Information

Embu level 5 Hospital is established by and derives its authority and accountability from established under gazette notice number Vol. CXXII-No24. The entity is wholly owned by the Embu County Government and is domiciled in Embu County in Kenya. The entity's principal activity is;

a) Providing Curative and Rehabilitative health services
b) Providing Promotive and Preventive health services
c) Serves as a referral facility for level 4 hospitals within the county and the surrounding region
d) Providing facilities for training of KMTC students and various universities across the nation.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Embu Level 5 Hospital's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in the Notes. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Embu Level 5 hospital. The financial statements have been prepared in accordance with the PFM Act, and *Embu County Health Services Act,2024,* 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 2023.**

Standard	Effective date and impact
IPSAS 41: Financial Instruments	**Applicable: 1st January 2023** The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	**Applicable: 1st January 2023** The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social

Standard	Effective date and impact
	benefits. The information provided should help users of the financial statements and general-purpose financial reports assess: (a) The nature of such social benefits provided by the Entity. (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	**Applicable: 1st January 2023** a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.
Other improvements to IPSAS	***Applicable 1st January 2023*** • *IPSAS 22 Disclosure of Financial Information about the General Government Sector.* Amendments to refer to the latest System of National Accounts (SNA 2008). • *IPSAS 39: Employee Benefits* Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • *IPSAS 29: Financial instruments: Recognition and Measurement*

Standard	Effective date and impact
	Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.

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

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

iii) Early adoption of standards

The Embu Level 5 Hospital did not early – adopt any new or amended standards in the financial year.

4. Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Embu Level 5 Hospital and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the asset that has been acquired using such funds.

ii) Revenue from exchange transactions

Rendering of services

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

Sale of goods

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

Interest income

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

Rental income

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

Notes to the Financial Statements (Continued)

b. Budget information

The original budget for FY 2024/2025 was approved by Board on 30/04/2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Embu Level 5 Hospital recorded additional appropriations of *1* in the FY 2024/2025 budget following the Board's approval. The Embu Level 5 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. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page *xxx* under section *xxx* of these financial statements.

c. Taxes

Sales tax/ Value Added Tax

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

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

Notes to the Financial Statements (Continued)

d. Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a period of 3 years. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

e. Property, plant and equipment

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

Property, Plant and Equipment are depreciated at straight line basis as follows;

Buildings at 4%

Furniture and fittings 12.5%

Motor vehicle 25%

ICT Equipment 30%

Other Medical Equipment 12.5%

Notes to the Financial Statements (Continued)

f. Leases

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

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

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

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

g. Intangible assets

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

Notes to the Financial Statements (Continued)

h. Research and development costs

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

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

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

i. Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The Embu level 5 Hospital does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements.*

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

Notes to the Financial Statements (Continued)

Financial assets

Classification of financial assets

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

Subsequent measurement

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

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Notes to the Financial Statements (Continued)

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. There were no critical estimates and significant judgments made by management in determining the expected credit loss (ECL).

Financial liabilities

Classification

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

Notes to the Financial Statements (Continued)

j. Inventories

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

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

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

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

k. Provisions

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

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

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

Notes to the Financial Statements (Continued)

l. Social Benefits

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

m. Contingent liabilities

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

n. Contingent assets

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

o. Nature and purpose of reserves

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

p. Changes in accounting policies and estimates

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

Notes to the Financial Statements (Continued)

q. Employee benefits

Retirement benefit plans

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

r. Foreign currency transactions

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

s. Borrowing costs

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

t. Related parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the *Entity*, or vice versa.

Notes to the Financial Statements (Continued)

Members of key management are regarded as related parties and comprise the directors, the CEO/principal and senior managers.

u. Service concession arrangements

The Embu level 5 Hospital 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 Embu Level 5 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 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 Embu Level 5 Hospital also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

v. Cash and cash equivalents

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

w. Comparative figures

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

x. Subsequent events

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

Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Notes to Financial Statements Continued

5. Transfers from the County Government

Description	2024/ 2025	2023/ 2024
	KShs	KShs
Unconditional grants		
Operational grant	24,110,380	79,694,684
Level 5 grants	0	0
Unconditional development grants	0	23,898,114
Other grants	0	0
	24,110,380	**103,592,798**
Conditional grants		
User fee forgone	0	0
Transforming health services for Universal care project (THUCP)	0	0
DANIDA	0	0
Wards Development grant	0	0
Paediatric block grant	0	0
Administration block grant	0	0
Laboratory grant	0	0
Total government grants and subsidies	**24,110,380**	**103,592,798**

5 b 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	Comparative Period
			KShs	KShs	KShs
Embu County Government	24,110,380	0	57,819,428	81,929,808	103,592,798
Total	**24,110,380**	**0**	**57,819,428**	**81,929,808**	**103,592,798**

Amount recognised in the statement of financial performance is the recurrent grant and the development grant that has no conditions attached.

Notes to Financial Statements Continued

6. In Kind Contributions from The County Government

Description	2024/ 2025	2023/ 2024
	KShs	KShs
Salaries and wages	549,226,643	554,926,763
Medical supplies-Drawings Rights (KEMSA)	0	59,816,238
Pharmaceuticals and Non-Pharmaceutical Supplies (other suppliers)	0	60,819,892
Utility bills	0	10,000,000
Total grants in kind	**549,226,643**	685,562,893

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

7. Grants From Donors and Development Partners

Description	2024/ 2025	2023/2024
	Kshs	Kshs
Cancer Centre grant- DANIDA	0	0
World Bank grants	0	0
Paediatric ward grant- JICA	0	0
Research grants	0	0
Other grants *(specify)*	0	0
Total grants from development partners	**0**	**0**

(There were no grants received by Embu Level 5 Hospital during the year under review)

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

Name of the Entity sending the grant	Amount recognized to Statement of financial performance	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	Comparative Period
	KShs	KShs	KShs	KShs	KShs
Donor e.g., DANIDA	0	0	0	0	0
JICA	0	0	0	0	0
World Bank	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**

Notes to Financial Statements Continued

8. Transfers From Other Government Entities

Description	2024/ 2025	2023/ 2024
	KShs	KShs
Transfer from National Government (Ministry of Health)	0	0
Transfer from National Hospital Insurance Fund	0	0
Transfer from Institute	0	0
Total Transfers	**0**	0

9. Public Contributions and Donations

Description	2024/ 2025	2023/2024
	KShs	KShs
Public donations	0	0
Donations from local leadership	0	0
Donations from religious institutions	0	0
Donations from other international organisations and individuals – (Global Fund through KEMSA and MEDS)	23,708,589	24,873,251
Other donations (Salaries to UHC Staff paid by MOH)	39,730,000	39,730,000
Donations in kind-amortised	0	0
Total donations and sponsorships	**63,438,589**	**64,603,251**

(Global Fund provided programme drugs to combat Malaria, TB, ARVs and Contraceptives to Embu Level 5 Hospital during the year under review. We have staff members seconded to the hospital by the MOH through the UHC programme)

10 (a) Reconciliations of amortised grants

Description	2024/ 2025	2023/2024
	KShs	Kshs
Balance unspent at beginning of year	**0**	**0**
Current year receipts	0	0
Amortised and transferred to revenue	0	0
Conditions to be met – remain liabilities	**0**	**0**

Notes to Financial Statements Continued

10. Rendering of Services-Medical Service Income

Description	2024/ 2025	2023/2024
	KShs	Kshs
Pharmaceuticals	140,039,925	0
Non-Pharmaceuticals	45,084,975	0
Laboratory	18,400,870	0
Radiology	15,086,924	0
Orthopedic and Trauma Technology	2,435,660	0
Theatre	91,216,930	0
Accident and Emergency Service	4,543,250	0
Renal services	38,521,542	0
Ear Nose and Throat service	0	0
Maternity services	106,825,395	0
Cancer centre service	15,260,771	0
Dental services	3,356,256	0
Reproductive health	8,453,950	0
Paediatrics services	0	0
Farewell home services	4,865,543	0
Other medical services income – *Medical Services*	14,600,364	276,047,510
Total revenue from the rendering of services	**508,692,355**	276,047,510

Notes to the Financial Statements (Continued)

11. Revenue From Rent of Facilities

Description	2024/ 2025	2023/2024
	KShs	Kshs
Residential property	0	0
Commercial property	0	0
Total Revenue from rent of facilities	**0**	**0**

(*Provide brief explanation for this revenue)*

12. Finance /Interest Income

Description	2024/ 2025	2023/2024
	KShs	Kshs
Cash investments and fixed deposits	0	0
Interest income from short- term/ current deposits	0	0
Interest income from Treasury Bills	0	0
Interest income from Treasury Bonds	0	0
Interest from outstanding debtors	0	0
Total finance income	**0**	**0**

(Provide brief explanation for this revenue)

13. Miscellaneous Income

Description	2024/ 2025	2023/2024
	KShs	KShs
Insurance recoveries	0	0
Income from sale of tender	0	0
Services concession income	0	0
Sale of goods (water, publications, containers etc)	0	0
Write backs (Deposits, payments in advance etc)	0	0
Bad debts recovered	0	0
Others (Specify)	0	0
Total Miscellaneous income	**0**	**0**

Notes to the Financial Statements (Continued)

14. Medical/ Clinical Costs

Description	2024/ 2025	2023/ 2024
	KShs	KShs
Dental costs/ materials	1,478,700	900,000
Laboratory chemicals and reagents	10,402,870	4,898,670
Public health activities	0	0
Food and Ration	28,474,451	20,082,393
Uniform, clothing, and linen	3,940,710	0
Dressing and Non-Pharmaceuticals	54,661,403	47,602,595
Pharmaceutical supplies	104,711,269	68,202,001
Specialised materials – Other (Renal, ICU, Theatre)	18,227,426	0
Reproductive health materials	5,272,950	4,138,597
Sanitary and cleansing Materials	3,688,541	1,023,300
Purchase of Medical gases	1,567,500	0
X-Ray/Radiology supplies	11,443,851	1,410,576
Other medical related clinical costs	0	3,932,728
Total medical/ clinical costs	**243,869,671**	**152,190,860**

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

15. Employee Costs

Description	2024/ 2025	2023/ 2024
	KShs	KShs
Salaries, wages, and allowances	549,226,643	554,926,763
Contributions to pension schemes	0	0
Service gratuity	0	0
Performance and other bonuses	0	0
Staff medical expenses and Insurance cover	0	0
Group personal accident insurance and WIBA	0	0
Social contribution	0	0
Other employee costs *(specify)*	0	0
Employee costs	**549,226,643**	**554,926,763**

Notes to the Financial Statements (Continued)

16. Board of Management Expenses

Description	2024/ 2025	2023/ 2024
	KShs	KShs
Chairman's / Members Honoraria	0	516,600
Sitting allowance	190,000	0
Mileage	100,000	0
Insurance expenses	0	0
Induction and training	570,600	0
Travel and accommodation allowance	55,400	0
Airtime allowances	0	0
Total	**916,000**	**516,600**

17. Depreciation and Amortization Expense

Description	2024/ 2025	2023/ 2024
	KShs	KShs
Property, plant and equipment	45,598,394	38,113,206
Intangible assets	0	0
Investment property carried at cost	0	0
Total depreciation and amortization	**45,598,394**	**38,113,206**

18. Repairs And Maintenance

Description	2024/ 2025	2023/ 2024
	KShs	KShs
Property- Buildings	1,398,314	350,000
Medical equipment	3,982,918	0
Office equipment	825,305	0
Furniture and fittings	0	0
Computers and accessories	436,850	510,000
Motor vehicle expenses	978,513	0
Small medical & dental equipment	0	0
Total repairs and maintenance	**7,621,900**	**860,000**

Notes to the Financial Statements (Continued)

19. Grants And Subsidies

Description	2024/ 2025 KShs	2023/ 2024 KShs
Community development and social work	23,358,873	0
Education initiatives and programs	0	0
Free/ subsidised medical camp	439,250	6,000,000
Disability programs	0	0
Embu County grant	0	0
Social benefit expenses	262,390	0
Other grants and subsidies (Programme drugs *(Donations) received from Global Fund are distributed free of charge. Salary of UHC Staff is paid directly by MOH)*	63,438,589	64,603,251
Total grants and subsidies	**87,499,102**	**70,603,251**

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

20. General Expenses

Description	2024/ 2025 KShs	2023/ 2024 KShs
Advertising and publicity expenses	0	0
Catering expenses	5,525,930	481,200
Waste management expenses	0	0
Insecticides and rodenticides	0	0
Travel cost (meal all. Mileage allowance, airlines, bus)	13,036,280	0
Bank charges	131,788	92,844
Conferences and delegations	3,133,320	0
Consultancy fees	0	0
Contracted security guards and cleaning services	32,156,400	26,649,534
Electricity expenses (Utilities, Supplies & Services)	29,977,269	10,000,000
Fuel and Lubricants	4,799,150	2,702,880
Insurance	320,938	334,539
Research and development expenses	0	0
Other Operating Expenses	1,182,567	5,810,613
Legal expenses	0	0
Licenses and permits	0	0
Contracted professional services	12,332,200	0
Stationery	4,068,508	2,219,990
Printing and Advertising	168,200	0

Description	2024/ 2025 KShs	2023/ 2024 KShs
Rent expenses	0	0
Water and sewerage costs	29,964,362	0
Specialised Materials and Supplies	0	0
Telephone and mobile phone services	979,100	18,900
Internet expenses	1,333,884	2,545,698
Staff training and development	448,000	0
Subscriptions to professional bodies	167,100	0
Other fuels (wood, cooking gas, charcoal)	3,676,095	0
3% FIF Admin fee - Realized	11,713,587	0
3% FIF Admin fee - Accrued	4,549,094	0
Total General Expenses	**159,663,772**	**50,856,198**

21. Finance Costs - Transfer to CRF

Description	2024/ 2025 Kshs	2023/ 2024 Kshs
Revenue collection for the year	0	276,047,510
Less bank Charges	0	(92,844)
Opening bank balance - Revenue a/c	0	35,022,007
Less closing balance in revenue account	0	(308,716)
Opening balance transferred to CRF	1,332,043	1,332,043
Total finance costs	**1,332,043**	**312,000,000**

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

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

Description	2024/ 2025 Kshs	2023/2024 KShs
Property, plant, and equipment	0	0
Intangible assets	0	0
Other assets not capitalised (*specify*)	0	0
Total gain on sale of assets	**0**	**0**

23. Unrealized Gain On Fair Value Investments

Description	2024/ 2025 Kshs	2023/2024 KShs
Investments at fair value	0	0
Total gain	**0**	**0**

Notes to the Financial Statements (Continued)

24. Medical Services Contracts Gains /Losses

Description	2024 /2025	2023/2024
	Kshs	KShs
Comprehensive care contracts with NHIF	0	0
Non- Comprehensive contracts care with NHIF	0	0
Linda Mama Program	0	0
Waivers and Exemptions	0	0
Total Gain/Loss	**0**	**0**

25. Impairment Loss

Description	2024/ 2025	2023/2024
	Kshs	KShs
Property, plant, and equipment	0	0
Intangible assets	0	0
Total impairment loss	**0**	**0**

26. Cash And Cash Equivalents

Description	2024/ 2025	2023/ 2024
	Kshs	Kshs
Current accounts	513,307	(973,580)
On - call deposits	0	0
Fixed deposits accounts	0	0
Cash in hand	0	0
Others (*specify*) - Mobile money	53,530	84,921
Total cash and cash equivalents	**566,837**	**(888,659)**

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

Notes to the Financial Statements (Continued)

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

Description		2024/ 2025	2023/ 2024
Financial institution	**Account number**	**Kshs**	**Kshs**
a) **Current account**			
Family bank	075000052039	513,118.05	358,453
Family bank,	075000053389	179	(1,332,043)
Cooperative bank	01141408204800	1	1
Family bank	075000053390	9	9
Sub- total		**513,307**	(973,580)
b) Fixed deposits account			
Bank Name		0	0
Sub- total		**0**	0
c) Others(*specify)*			
Cash in hand		0	0
Mobile money –M-pesa, Airtel money		53,530	84,921
Sub- total		**53,530**	84,921
Grand total		**566,837**	**(888,659)**

27. Receivables From Exchange Transactions

Description	2024/ 2025	2023/ 2024
	Kshs	**Kshs**
Medical services receivables-NHIF	69,154,981	57,574,261
Medical services receivables-SHA	90,037,818	0
Other exchange debtors-Corporate clients	3,085,391	0
Total receivables	**162,278,190**	**57,574,261**

Analysis of Receivables From Exchange Transactions

Description	2024/2025 Kshs	
	Current FY	% of the total
Less than 1 year	93,123,209	54%
Between 1- 2 years	69,154,981	46%
Between 2-3 years	0	%
Over 3 years	0	%
Total (a+b)	**151,582,759**	**100%**

28. Receivables From Non-Exchange Transactions

Description	2024/ 2025 Kshs	2023/2024 KShs
Transfers from the County Government	0	0
Undisbursed donor funds	0	0
Other debtors (*non-exchange transactions*)	0	0
Less: impairment allowance	(0)	(0)
Total	**0**	**0**

Analysis of Receivables From Non-Exchange Transactions

Description	2024/ 2025 Kshs	
	Current FY	% of the total
Less than 1 year	0	%
Between 1- 2 years	0	%
Between 2-3 years	0	%
Over 3 years	0	%
Total (a+b)	**0**	**%**

29. Inventories

Description	2024/ 2025	2023/ 2024
	KShs	KShs
Pharmaceutical supplies	14,790,730	34,515,594
Maintenance supplies	498,038	0
Food supplies	784,724	1,050,643
Linen and clothing supplies	3,206,590	2,814,494
Non-Pharms	14,407,375	5,378,889
Renal unit	1,626,802	2,095,460
X-ray consumables	1,633,780	1,269,060
General supplies	400,175	733,797
Public health stores	331,332	154,200
Less: provision for impairment of stocks	(0)	(0)
Total	**37,679,546**	**48,012,137**

Notes to the Financial Statements (Continued)

30. Property, Plant and Equipment

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
	-	**4%**	**25%**	**12.5%**	**30%**	**12.5%**	
Cost							
At 1 July 2023 (current year)	387,000,000	420,671,249	12,000,000	12,000,000	6,600,000	103,776,330	942,047,579
Additions	-	15,107,074	-	-	-	8,791,040	23,898,114
Disposals							
Transfer/adjustments							
At 30th Jun 2024	**387,000,000**	**435,778,323**	**12,000,000**	**12,000,000**	**6,600,000**	**112,567,370**	**965,945,693**
At 1 July 2024 (current year)	387,000,000	435,778,323	12,000,000	12,000,000	6,600,000	112,567,370	965,945,693
Additions	-	67,730,849	-	499,496	2,529,600	32,686,309	**103,446,254**
Disposals							
Transfer/adjustments							
At 30th Jun 2025	**387,000,000**	**503,509,172**	**12,000,000**	**12,499,496**	**9,129,600**	**145,253,679**	**1,069,391,947**
Depreciation and impairment							
As at 1 July 2023 (previous year)	-	16,865,698	3,000,000	1,500,000	1,980,000	12,972,041	**36,317,739**

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
Depreciation (previous year)	-	17,312,285	3,000,000	1,500,000	1,980,000	14,320,921	**38,113,206**
Disposals		-	-	-	-	-	-
Impairment		-	-	-	-	-	-
At 30 June 2024	**-**	**34,177,983**	**6,000,000**	**3,000,000**	**3,960,000**	**27,292,962**	**74,430,945**
At July 2024 (current year)	-	34,177,983	6,000,000	3,000,000	3,960,000	27,292,962	74,430,945
Depreciation	-	20,140,367	3,000,000	1,562,437	2,738,880	18,156,710	45,598,394
Disposals		-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
Transfer/adjustment							
At 30th June 2025	**-**	54,318,350	9,000,000	4,562,437	6,698,880	45,449,672	**120,029,339**
Net book values							
At 30th Jun 2024 (Previous)	387,000,000	401,600,340	6,000,000	9,000,000	2,640,000	85,274,408	891,514,748
At 30th Jun 2025 (current)	**387,000,000**	**449,190,822**	**3,000,000**	**7,937,059**	**2,430,720**	**99,804,007**	**949,362,608**

Notes to the Financial Statements (Continued)

31. Intangible Assets-Software

Description	2024/ 2025	2023/2024
	KShs	KShs
Cost		
At beginning of the year	0	0
Additions	0	0
Additions–Internal development	0	0
Disposal	0	0
At end of the year	**0**	**0**
Amortization and impairment		
At beginning of the year	0	0
Amortization for the period	0	0
Impairment loss	0	0
At end of the year	0	0
NBV	**0**	**0**

32. Investment Property

Description	2024/ 2025	2023/2024
	KShs	KShs
At beginning of the year	**0**	**0**
Additions	0	0
Disposals during the year	0	0
Fair value gain	0	0
Depreciation (*where investment property is at cost*)	0	0
Impairment	0	0
At end of the year	**0**	**0**

Notes to the Financial Statements (Continued)

33. Trade and other Payables

Description	2024/ 2025	2023/ 2024	
	KShs	KShs	
Trade payables	192,987,674	154,451,040	
3% FIF Admin fee on accrued income	4,549,094	0	
Third-party payments *(e.g. unremitted payroll deductions)*	0	0	
Audit fee	0	0	
Doctors' fee	0	0	
Total trade and other payables	**197,536,768**	**154,451,040**	
Ageing analysis:	**2024/ 2025**	**2023/ 2024**	**% of the Total**
Under one year	117,414,821	154,451,040	54%
1-2 years	38,615,104	0	22%
2-3 years	39,318,943	0	23%
Over 3 years	2,187,900	0	1%
Total	**197,536,768**	**154,451,040**	**100%**

34. Refundable Deposits from Customers/Patients

Description	2024/ 2025	
	KShs	
Medical fees paid in advance	0	
Credit facility deposit	0	
Rent deposits	0	
Others (*specify*)	0	
Total deposits	**0**	
Ageing analysis:	**2024/ 2025**	**% of the Total**
Under one year	**0**	%
1-2 years	**0**	%
2-3 years	**0**	%
Over 3 years	**0**	%
Total	**0**	**%**

Notes to the Financial Statements (Continued)

35. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year	**0**	**0**	**0**	**0**
Additional Provisions	0	0	0	0
Provision utilised	0	0	0	0
Change due to discount & time value for money	0	0	0	0
Total provisions	**0**	**0**	**0**	**0**
Current Provisions	0	0	0	0
Non-Current Provisions	0	0	0	0
Total Provisions	**0**	**0**	**0**	**0**

36. Finance Lease Obligation

Description	2024/ 2025
	Kshs
Current Lease obligation	0
Long term lease obligation	0
Total	**0**

37. Deferred Income

Description	2024/ 2025
	KShs
Current Portion	0
Non-Current Portion	0
Total	**0**

Notes to the Financial Statements (Continued)

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

Description	National government	International funders/ donors	Public contributions and donations	Total
Balance b/f	**0**	**0**	**0**	**0**
Additions during the year	0	0	0	0
Transfers to Capital fund	0	0	0	0
Transfers to statement of financial performance	0	0	0	0
Other transfers (*Specify*)	0	0	0	0
Balance C/F	**0**	**0**	**0**	**0**

38. Borrowings

Description	2024/2025	2023/2024
	KShs	KShs
Balance at beginning of the period	**0**	**0**
External borrowings during the year	0	0
Domestic borrowings during the year	0	0
Repayments of external borrowings during the year	0	0
Repayments of domestic borrowings during the year	0	0
Balance at end of the period	**0**	**0**

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

Description	2024/ 2025	2023/2024
	KShs	KShs
Current Obligation	0	0
Non-Current Obligation	0	0
Total	**0**	**0**

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

Notes to the Financial Statements (Continued)

39. Service Concession Arrangements

Description	2024/ 2025	2023/2024
	KShs	KShs
Fair value of service concession assets recognized under PPE	0	0
Accumulated depreciation to date	0	0
Net carrying amount	**0**	**0**
Service concession liability at beginning of the year	0	0
Service concession revenue recognized	0	0
Service concession liability at end of the year	**0**	**0**

40. Social Benefit Liabilities

Description	2024/ 2025	2023/2024
	KShs	Kshs
Health social benefit scheme	0	0
Unemployment social benefit scheme	0	0
Orphaned and vulnerable benefit scheme	**0**	**0**
People Living with Disabilities benefit Scheme	0	0
Elderly social benefit scheme	0	0
Bursary social benefits	0	0
Total	**0**	**0**
Current social benefits	0	0
Non- current social benefits	0	0
Total (tie to totals above)	**0**	**0**

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

Notes to the Financial Statements (Continued)

41. Cash Generated from Operations

Description	2024/ 2025 KShs	2023/ 2024 KShs
Surplus for the year before tax	**49,740,443**	(50,260,426)
Adjusted for:		
Depreciation	45,598,394	38,113,206
Non-cash grants received	0	0
Impairment	0	0
Gains and losses on disposal of assets	0	0
Contribution to provisions	0	0
Working Capital adjustments		
(Increase)/Decrease in inventory	10,332,591	(2,413,599)
(Increase)/Decrease in receivables	(104,703,929)	2,541,972
Increase in deferred income	0	0
Increase in payables	43,085,727	154,451,040
Increase in payments received in advance	0	0
Net cash flow from operating activities	**44,053,226**	**142,432,193**

Notes to the Financial Statements (Continued)

42. Financial Risk Management

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

(i) Credit risk

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023 (previous year)	57,574,261	57,574,261	0	0
Receivables from exchange transactions	0	0		
Receivables from –non-exchange transactions	0	0	0	0
Bank balances	(888,659)	(888,659)	0	0
Total	**56,685,602**	**56,685,602**	**0**	**0**
At 30 June 2024 (current year)				
Receivables from exchange transactions	151,582,759	151,582,759	0	0
Receivables from –non-exchange transactions	0	0	0	0
Bank balances	566,837	566,837	0	0
Total	**152,149,596**	**152,149,596**	**0**	**0**

Notes to the Financial Statements (Continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has no significant concentration of credit risk on amounts due from Embu County Government. The board of management sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2024		0	0	0
Trade payables	154,451,040	0	0	0
Current portion of borrowings	154,451,040	0	0	0
Provisions	0	0	0	0
Deferred income	0	0	0	0
Employee benefit obligation	0	0	0	0
Total	**154,451,040**	**0**	**0**	**0**
At 30 June 2024				
Trade payables	0	172,751,394	0	0
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Deferred income	0	0	0	0
Employee benefit obligation	0	0	0	0
Total	**0**	**172,751,394**	**0**	**0**

Notes to the Financial Statements (Continued)

(iii) Market risk

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

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

a) Foreign currency risk

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

Description	KShs	Other currencies	Total
	Kshs		Kshs
At 30 June 2025			
Financial assets (investments, cash, debtors)	0	0	0
Liabilities			
Trade and other payables	0	0	0
Borrowings	0	0	0
Net foreign currency asset/ (*liability*)	0	**0**	**0**
Total	**0**	**0**	**0**

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

Notes to the Financial Statements (Continued)

Description	KShs	Other currencies	Total
	Kshs		Kshs
At 30 June 2025			
Financial assets (investments, cash, debtors)	0	0	0
Liabilities			
Trade and other payables	0	0	0
Borrowings	0	0	0
Net foreign currency asset/(*liability*)	**0**	**0**	**0**

Foreign currency sensitivity analysis

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

Description	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2024 (previous year)			
Euro	10%	-	-
USD	10%	-	-
2025 (current year)			
Euro	10%	-	-
USD	10%	-	-

b) Interest rate risk

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

Management of interest rate risk

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

Notes to the Financial Statements (Continued)

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of financial performance if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs 0 (2025: KShs 0). A rate increase/decrease of 5% would result in a decrease/increase in surplus of KShs (2025 – KShs. 0).

iii) Capital Risk Management

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

Description	2024/ 2025 Kshs	2023/ 2024 Kshs
Revaluation reserve	0	0
Retained earnings	41,737,810	(17,543,481)
Capital reserve	916,824,356	859,304,928
Total funds	**958,562,166**	**841,761,447**
Total borrowings	0	0
Less: cash and bank balances	566,837	(888,659)
Net debt/ (*excess cash and cash equivalents*)	0	0
Gearing	**959,129,003**	**840,872,788**

Notes to the Financial Statements (Continued)

43. Related Party Balances

Nature of related party relationships

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

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

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

Description	2024/ 2025 Kshs	2023/2024 Kshs
Transactions with related parties		
a) Services offered to related parties		
Services	0	0
Sales of services	0	0
Total	**0**	**0**
b) Grants from the Government		
Grants from County Government	573,337,023	789,155,691
Grants from the National Government Entities	0	0
Donations in kind	63,438,589	64,603,251
Total	**636,775,612**	**853,758,942**
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for 537 employees	549,226,643	554,926,763
Payments for goods and services for EL5H	24,110,380	210,330,814
Total	**573,337,023**	**765,257,577**

Description	2024/ 2025	2023/2024
	Kshs	Kshs
d) Key management compensation		
Directors' emoluments	916,000	516,600
Compensation to the medical Sup	3,136,968	5,700,120
Compensation to key management	6,500,000	6,500,000
Total	**10,552,968**	**12,716,720**

44. Segment Information

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

45. Contingent Liabilities

Contingent liabilities	2024/ 2025	2023/ 2024
	Kshs	Kshs
Court case against the company	0	0
Bank guarantees in favour of subsidiary	0	0
Total	**0**	**0**

46. Capital Commitments

Capital Commitments	2024/ 2025	2023/2024
	Kshs	Kshs
Authorised For	0	0
Authorised And Contracted For	0	0
Total	**0**	**0**

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

47. Events after the Reporting Period

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

48. Ultimate and Holding Entity

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

49. Currency

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

20. **Appendices**

Appendix 1: Progress on Follow Up of Auditor Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
1.	Inaccurate Revenue from Exchange transactions	From1st July 2024, medical oxygen to other county facilities is being billed. Waived revenue was disclosed in the Notes to the financial statements	Awaiting Senate CPI & SF Committee Report (Not Resolved)	Before 30th June 2026
2.	Unsupported and Unvalued Assets	Survey plan for the land has since been processed. Awaiting title deed. The six motor vehicles belong to the MOH who are the custodians of their log books	Awaiting Senate CPI & SF Committee Report (Not Resolved)	Before 30th June 2026
1.	Unapproved Appropriation	PE budgeted under health department Donations not budgeted for Transfer to CRF budgeted under finance department	Awaiting Senate CPI & SF Committee Report (Not Resolved)	Before 30th June 2026
2.	Deficiencies in Implementation of Universal Health Coverage (UHC)	The current situation in regard to theatres; Operational Theaters; Eye Theatre in ward 11 – 1 operational Main theater – 3 operational, 1 installed in Fy. 2024/25,	Awaiting Senate CPI & SF Committee Report (Not Resolved)	Before 30th June 2026

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)*
		awaiting commissioning Maternity theatre – 1 operational, 1 installed in fy. 2024/25 to be commissioned. iv) HDU cots for the new born – 2 are operational. Recruitment to replace the officers who have left is an ongoing process based on available resources.		
3.	Non-Compliance with the Staff Ethnic Composition	These are existing healthcare workers who were inherited from National Government but any new recruitment shall comply with staff ethnic composition.	Awaiting Senate CPI & SF Committee Report (Not Resolved)	Before 30th June 2026
1.	Weak Control in Inventory Management	The management has deployed additional staff member to the stores department.	Awaiting Senate CPI & SF Committee Report (Not Resolved)	Before 30th June 2026
2.	Lack of Risk Management Policy Documents	The hospital relied on County policy documents but has since been advised to develop its own	Awaiting Senate CPI & SF Committee Report (Not Resolved)	Before 30th June 2026
3.	Sustainability of Leasing of Medical Equipment	Contract documents with MOH. However, the lease has since	Awaiting Senate CPI & SF Committee	Before 30th June 2026

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)*
		been terminated by the government	Report (Not Resolved)	
4.	Failure to Insure Hospital Equipment	The hospital buildings and equipment are yet to be valued hence could not be insured	Awaiting Senate CPI & SF Committee Report (Not Resolved)	Before 30th June 2026
5.	Management of Property, Plant and Equipment	Tagging process yet to commence. Disposal is being handled by Infrastructure department. The faulty cold room equipment has since being replaced in the FY. 2024/2025.	Awaiting Senate CPI & SF Committee Report (Not Resolved)	Before 30th June 2026
6.	Lack of Refund Policy	In the financial year 2024/2025, the hospital has come up with a budget and designed a refund claim form to be filled by the claimant and confirmed by relevant heads of departments.	Awaiting Senate CPI & SF Committee Report (Not Resolved)	Before 30th June 2026
7.	Lack of a Strategic Plan	Process ongoing	Awaiting Senate CPI & SF Committee Report (Not Resolved)	Before 30th June 2026

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Accounting Officer

Appendix II: Projects Implemented by Embu Level 5 Hospital

Projects

Projects implemented by the Hospital Funded by development partners

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

Status of Projects completion

(Status of project completion at the end of the financial year, i.e. total costs incurred, stage which the project is etc)

SN	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual spent in the current financial year	Sources of funds
1	Completion Of Badea Block B	46,420,314	33,594,853	72%	46,420,314	33,594,853	Grant from County Government
2	Completion Of Kitchen For Badea	1,500,000	0	100%	1,500,000	0	Grant from County Government
3	Completion And Renovation Of Ablution Block At the Embu Level 5	2,466,583	0	100%	2,466,583	0	Grant from County Government
4	Upgrading And Renovation To Embu Level 5 Hospital Renal Unit	4,496,868	4,496,868	100%	4,500,000	4,496,868	Grant from County Government

7. Statement of Performance Against Predetermined Objectives

Embu Level 5 Hospital has Seven (7) strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2023- FY 2027. These strategic pillars/ themes/ issues are as follows:

- Pillar/theme/issue 1: Health workforce development
- Pillar/theme/issue 2: Health products and technologies
- Pillar/theme/ issue 3: Health policy, planning and financing
- Pillar/theme/ issue 4: ICT Infrastructure enhancement
- Pillar/theme/ issue 5: Hospital Infrastructural development
- Pillar/theme/ issue 6: Quality assurance and standards
- Pillar/theme/ issue 7: Research

Embu Level 5 Hospital develops its annual work plans based on the above 7 pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Embu Level 5 Hospital achieved its performance targets set for the FY 2024/2025 period for its 3 strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/ Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar/ theme/ issue 1: Health workforce development	Health workers Recruited, Promoted and Outsourced	Recruit additional health workers, promote existing ones and outsource for specialized services	Recruit additional health workers, promote existing ones and outsource for specialized services	No recruitments in the Fy. 2024-25. Promotions for healthcare workers took place in Fy. 2024/ 2025. 65 UHC staff worked at the hospital 5 health

				workers from MOH and 25 funded by partners and donors
Pillar/ theme/ issue 2: Health Products and Technologies	Biometric system Adequate pharmaceutical & Non pharms products, Linen, Lab products, radiological, Ophthalmic, ICU & dental commodities,	-To instal biometric system at the hospital -To acquire enough products and commodities	-To instal biometric system at the hospital - To acquire enough products and commodities	Not achieved -The hospital was in apposition to procure products and commodities
Pillar/ theme/ issue 3: Health policy, planning and financing	Health strategic plans prepared	Health strategic plans prepared	Number of strategic plans prepared	One (1) plan was prepared
Pillar/ theme/ issue 4: ICT Infrastructure enhancement	Shared network connectivity	Hospital processes automated	System development and installation	Ongoing
Pillar/ theme/ issue 5: Hospital Infrastructural development	Continuous upgrading of hospital infrastructure	Operationalizatio n of private wing (Badea B)	Construction works ongoing	BADEA block completion works ongoing

Pillar/ theme/ issue 6: Quality assurance and standards	Hospital assessed for quality service delivery	Hospital assessed for quality service delivery	Facility inspected through JHI	Work in progress
Pillar/ theme/ issue 7: Research	To have Publications, Surveys Operational Research, and Findings done	To have health and research surveys and collaborations with various institutions.	To have research surveys and collaborations with various institutions published	Work in progress

8. Corporate Governance Statement

Introduction

Corporate governance is at the heart of the successful running of the hospital. It has not only led to improvement of the overall performance, but also has promoted trust among our stakeholders. Good corporate governance has been key in ensuring that our patients get quality health care and value for money. Our structures and process have fastened the principles of good corporate governance which include accountability, participation, transparency, responsiveness, effectiveness and efficiency and the rule of law.

Board of Directors

Hospital board is established by the Embu County Health Services Act, 2024 (10). Embu Level 5 Hospital Board consists of non-executive Chairman appointed by the Governor with the approval of the county Assembly, County Hospital CEO as board secretary and *ex-officio*, County Hospital Medical Superintendent as *ex-officio*, Chief Officer medical services or representative, Chief officer finance or representative and Four (4) County residents with relevant knowledge and experience appointed by the Governor with the approval of the County Assembly.
They board serve for a term of 3 years after their names have been published in the Kenya Gazette.

Hospital Board composition.

The members of the Hospital Management Committee who served during the year are as shown below;

SN	Board Member	Board Position	Appointment Date
1	Mr. Patrick Kinyua	Chairman	26th March 2025
2	Mr. Alfred Muturi	Member	26th March 2025
3	Mr. John M. Musyimi	Member	26th March 2025
4	Ms. Susan Wangai	Member	26th March 2025
5	Ms. Mwashiti Abdalla	Member	26th March 2025
6	Mr. Damiano Muthee	Member	26th March 2025
7	Mr. Benjamin Kisilu	Member	26th March 2025
8	Mrs. Bancy W. Mutuah	Ag. CEO	26th March 2025
9	Dr. Stella M. Gichovi	Ag. Medical Superintendent	26th March 2025

Hospital Board meetings.

The hospital board or committee shall meet not less than six times and not more than twelve (12) meetings in every financial year and not more than four months shall elapse between the date of the next meeting. The Chairperson may, and upon requisition in writing by at least half of the members shall convene a special meeting of the Board or Committee at any time for the transaction of the business of the Board or Committee.

5	Equipping Of Laundry Unit	2,500,000	0	100%	2,500,000	0	Grant from County Government
6	Supply and delivery, testing and commissioning of theatre equipment for Mat theatre	9,242,619	0	100%	9,273,040	0	Grant from County Government
7	Supply and delivery, testing and commissioning of Hydraulic delivery bed	598,068	0	100%	600,000	0	Grant from County Government
8	Supply and delivery, testing and commissioning of Theatre equipment for Theatre 4	9,365,368	0	100%	9,396,000	0	Grant from County Government
9	Equipping Of Dental Unit	2,499,510	0	100%	2,500,000	2,499,510	Grant from County Government
10	Purchase Of Medical Equipment For Clinical Department And Wards	2,498,310	0	100%	2,500,000	2,498,310	Grant from County Government
11	Purchase and Installation of an Armoured cable at Embu Level 5 Hospital	2,599,560	0	100%	2,600,000	2,599,560	Grant from County Government
12	Proposed Renovation of Oxygen Piping system at Embu Level 5 Hospital	885,312	0	100%	900,000	885,312	Grant from County Government
13	Equipping Of Mortuary Cold-room	2,497,561	0	100%	2,500,000	2,497,561	Grant from County Government
14	Proposed Cabro Blocks Paving Oxygen Plant House, Badea Block A And Mortuary Area	4,249,857	0	100%	4,250,000	4,249,857	Grant from County Government
15	Proposed Cabro Blocks Paving And Paint Works At Ward 5	4,099,630	0	100%	4,100,000	0	Grant from County Government
16	Proposed Alterations To H.D.U Unit	1,999,550	1,999,550	100%	2,000,000	1,999,550	Grant from County Government
17	Renovation Of Ward 9	2,498,047	2,498,047	100%	2,500,000	2,498,047	Grant from County Government

Appendix III: Inter-Entity Confirmation Letter

EMBU COUNTY GOVERNMENT
DEPARTMENT OF HEALTH

EMBU LEVEL 5 HOSPITAL

Address: P. O. Box 36 – 60100 Embu Tel: 254 68 2231055/56
Mobile: +254 722 406 595 Email: pghembu@gmail.com

The **Facility Improvement Fund** wishes to confirm the amounts disbursed to you as at 30th June 2025 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by Embu Level 5 Hospital as at 30th June 2025							
		Amounts Disbursed by [FIF Fund] (KShs) as at 30th June 2025				Amount Received by Embu Level 5 Hospital (KShs) as at 30th June 2024 **(E)**	Differences (KShs) (F)=(D-E)
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Inter–Ministerial (C)	Total (D)=(A+B+C)		
AIE	12/08/2024	16,906,130	0	0	16,906,130	16,906,130	0
AIE	11/09/2024	19,264,200	0	0	19,264,200	19,264,200	0

AIE	08/10/2024	11,538,150	0	0	11,538,150	11,538,150	0
AIE	29/10/2024	9,320,730	0	0	9,320,730	9,320,730	0
AIE	08/11/2024	17,846,060	0	0	17,846,060	17,846,060	0
AIE	14/11/2024	20,832,690	0	0	20,832,690	20,832,690	0
AIE	20/12/2024	36,545,720	0	0	36,545,720	36,545,720	0
AIE	14/01/2025	15,023,360	0	0	15,023,360	15,023,360	0
AIE	29/01/2025	16,437,620	0	0	16,437,620	16,437,620	0
AIE	19/02/2025	19,680,233	0	0	19,680,233	19,680,233	0
AIE	17/03/2025	14,688,210	0	0	14,688,210	14,688,210	0
AIE	02/04/2025	25,237,960	0	0	25,237,960	25,237,960	0
AIE	24/04/2025	19,904,400	0	0	19,904,400	19,904,400	0
AIE	13/05/2025	45,763,630	0	0	45,763,630	45,763,630	0
AIE	04/06/2025	15,284,290	0	0	15,284,290	15,284,290	0
AIE	11/06/2025	38,904,760	0	0	38,904,760	38,904,760	0
AIE	30/06/2025	30,518,140	0	0	30,518,140	30,518,140	0
AIE	30/06/2025	5,043,030	0	0	5,043,030	5,043,030	0
Total		**378,739,313**	**0**	**0**	**378,739,313**	**378,739,313**	**0**

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

Head of Accounts Department of the beneficiary entity:

Name Pius Mukundi Njiri **Sign** ..... **Date** 22/8/2025

Appendix IV Reporting of Climate Relevant Expenditures

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

Appendix V: Disaster Expenditure Reporting Template

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