

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF



THE AUDITOR-GENERAL

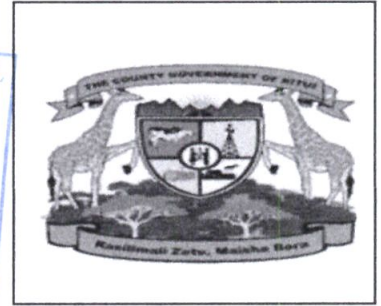
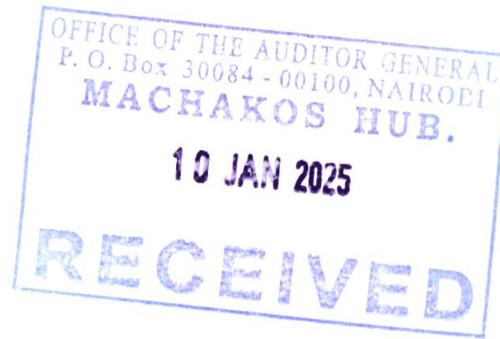
ON

KANYANGI LEVEL 4 HOSPITAL

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

COUNTY GOVERNMENT OF KITUI

PAPERS LAID	
DATE	6/3/2025
TABLED BY	Dep Maj Inhir
COMMITTEE	
CLERK AT THE TABLE	Maalim



**Kyangi level 4 hospital
(Kitui County Government)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2024

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

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1. Acronyms & Glossary of Terms

Provide a list of all acronyms and glossary of terms used in the preparation of this report e.g.

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 Kanyangi level 4 hospital.

2. Key Kyangi level 4 hospital Information and Management

(a) Background information

Kyangi Level IV Hospital is a gazetted public health facility by the ministry of health, Kenya Master Health Facility Registry number 12184. The Hospital is domiciled in Kitui County under the County ministry of Health and Sanitation. The hospital is governed by a Board of Management comprising of nine members drawn from different professional background. The hospital is in Kitui Rural Sub County and it is the only level IV hospital in the sub county. The hospital had a OPD workload of 14,343 for the financial 2023/2024. The hospital has a bed capacity of 30 beds.

(b) Principal Activities

The principle activity of the hospital is to offer quality healthcare services to the people of all walks of life.

Vision: An efficient quality healthcare system that is accessible, equitable and affordable to all Kenyans.

Mission: To inspire hope and contribute to health and wellbeing by providing the best care to every patient through integrated clinical practice education and research.

Core values: Integrity, Professionalism, Team Work, Accountability, Responsiveness.

(c) Key Management

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

- County department of health
- Board of Management
- Accounting Officer/ Medical Superintendent
- Management
- Others (*specify*)

(d) Fiduciary Management

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

No.	Designation	Name
1.	CECM-County Treasury	Peter Kilonzo
2.	CECM-Health and Sanitation	Ruth Koki
3.	Chief Officer- County Treasury	John Kimwele
4.	Chief Officer-Health and Sanitation	Benson Musyoka
5.	Medical Superintendent	Dr. Martin Nkulet

(e) Fiduciary Oversight Arrangements

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

Key Information and Management

(f) Entity Headquarters

P.O. Box 747-90200
Kanyangi Level IV Hospital
Kanyangi, Kitui

(g) Entity Contacts

Telephone: 0755155753
E-mail: medsupkanyangihospital@gmail.com
Website: www.kitui.go.ke

(h) Entity Bankers

National Bank
Kitui Branch
P. O. Box 166- 90200
Kitui, Kenya

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

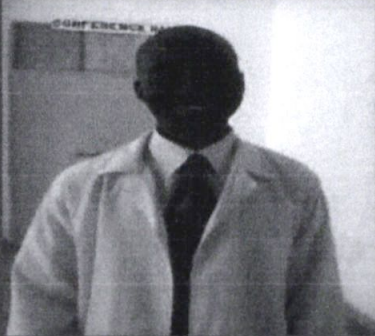

(k) County Attorney

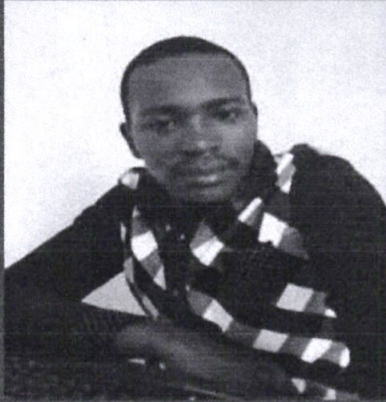

P.O. Box 33-90200
Kitui, Kenya

3. The Board of Management

Ref	Directors	Details
1.	Solomon Nzuki Ndonge	Chairperson
2.	Dr. Martin Nkulet	Medical Superintendent/Secretary
3.	Samuel Wambua	Kitui Rural Sub County Administrator
4.	David Kaviti	Representative, Professional Groups
5.	Ann Kalunda Kyale	Representative, Women Groups
6.	Bernad Nyamai	Representative, Faith Based Organizations
7.	Maureen Tabitha	Representative, NYC
8.	Maurice Mbevo	Representative, PLWDs

4. Key Management Team

1.	<p>Name: Dr. Martin Nkulet. Qualifications. Bachelor of Medicine and Bachelor of Surgery</p>	<p>Medical Superintendent</p> 
2.	<p>Margaret Kavembe Qualifications. Bachelor of Commerce (Finance)</p>	<p>Head of Finance</p> 

3	<p>Benson Mwaniki</p>	<p>Head of supply chain</p> 
4.	<p>Desmond Matei Mathenge Qualifications: Bachelor of Commerce (Finance) CPA</p>	 <p>Health Administrative Officer</p>

Vaati Masila
Qualifications:
Bachelor of
Science in
Nursing.



Nursing Officer in Charge.

5. Chairman's Statement

The board of management was not in place during the closure of the year as their appointment was revoked in the 2nd quarter of the fiscal year 2023/2024 under the gazette notice number 13546 dated 6th October 2023.

.....

Name

Chairman to the Board

6. Report of The Medical Superintendent

Kanyangi Sub County Hospital was established by Community members early in the 1970's as a dispensary. It was upgraded to a level IV Hospital in the year 2006. It is located along Kwa Vonza-Ikutha road at Kanyangi Market about 60 kilometers from Kitui town. The Hospital is in Kanyangi Location, Kanyangi Division, Lower Yatta Sub County, Kitui Rural Sub County, Kitui County. It was started with the aim of taking health care services close to the people. The hospital lives to promote community health and create conducive working environment for staffs and clients.

The hospital has a current catchment population of 13010 of which 6726 female and 6284 male. It serves several primary, secondary school and police stations located within the same location.

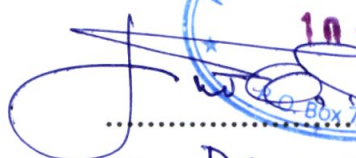
Several projects and activities were done during the period under review with the help of The County Government of Kitui and partners. Through The County Government of Kitui, the theater is fully renovated and is ready for operation same to the hospital X-ray room. Similarly, the hospital has managed to construct a septic tank for staff quarter which is fully functional. Finally, security has been enhanced with the chain link fence with proper gates in place. Furthermore, in partnership with World Vision, the facility has managed to construct two pit latrines for male and female respectively each with four doors. As if this is not enough, World Vision, has continuously supported the facility with monthly data review and community empowerment through our CHPs especially for MCH and Immunization services.

Under the same year of review, we recognize the effort of CMMB partner who have managed to install and implement telemedicine which is playing a key role in continuous medical education for staffs to remain updated in management of patients. We also recognize Ciheb as one of the greatest partners for installation and supporting the facility to manage patients at CCC clinic online thus minimizing the bulkiness of paper work.

The hospital has faced various challenges under the said period of review. To begin with, the hospital is understaffed and it lacks some critical infrastructures such as dental unit, optical unit, imaging services, kitchen, stand-alone MCH, drug store, physiotherapy, occupational therapy room as well as an incinerator. The facility also lacks a stand by generator as a source for power backup.

The hospital as well is not adequately funded to smoothly carry out the services owing to the high cost of living as a result of inflation and also being the only level IV hospital in the sub County it shoulders the responsibility of running the sub County.

We look forward to more support from The National Government , The County Government of Kitui, our partners and well-wishers including Non-governmental organizations in realization of the facility mission and vision as a Level IV Hospital as well as the best referral hospital in entire kitui Rural Sub County and Kitui County at large



Name **DR. MARTIN NKULET**
Secretary to the Board

7. Statement of Performance Against Predetermined Objectives

Section 164 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the County Government entity’s performance against predetermined objectives.

Kyangi sub county hospital (KSCH) has 3 strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2023- FY 2024. These strategic pillars/ themes/ issues are as follows;

Pillar /theme/issue 1: Revenue increase.

Pillar/theme/issue 2: Increase customer satisfactory.

Pillar/theme/issue 3: Enhance institutional capacity.

KSCH develops its annual work plans based on the above 3 pillars/Themes/Issues. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The KSCH achieved its performance targets set for the FY 2023/2024 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: Increase Revenue	To increase our services.	1.Increased services. 2.Increase customers. 3.Timely collection of revenue from patients	Increased revenue	Improvement in collection efficiency.	
Pillar/ theme/ issue 2: Increased customer satisfactory.	Good customer relations	1. increased customer participation 2. Prompt handling customer complaint/issues.	Good customer care services. Implement an effective feedback	Good customer relation	

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			mechanism for customers.		
Pillar/theme/issue 3: Enhance institutional capacity	High productivity and retain qualified staff. Increase funding to KSCH.	1. Improved performance. 2. Increase staff motivation. 3. Timely collection of county government allocation located for facility	1 Enhance staff training. 3. performance management and reward. 4.Enhance effective financial management	Being done.	

8. Corporate Governance Statement

Corporate governance is the process and structure used to direct and manage business affairs of the facility toward enhancing prosperity and corporate accounting with the ultimate objective of realizing stakeholders long term value.

The facility conduct its operation in accordance with the principle of good corporate governance.

Membership/Board of Directors.

The total membership of the committee is Nine (9) members who were nominated by the County Executive Committee Member for Health and Sanitation and forwarded to the Governor, Kitui County for approval. The role of chairperson and Chief Executive Officer are segregated. Medsup who is in charge of day to day running of business of the facility, a non executive director act as a chairman of the board.

The committee consists of: -

1. The chairperson Mr Solomon Nzuki Ndonye who was nominated by the County Executive Committee Member for Health and Sanitation and approved by the Governor Kitui County
2. The secretary to the committee Dr. Martin Nkulet who is the Medical superintendent of the hospital
3. The Sub-County Administrator Mr Samuel Wambua
4. The Business community representative Mr David Kithunga
5. Representative of professional groups Mr David Kaviti
6. Representative of womens groups- Ann Kalunda Kyale
7. Representative of Faith based organisations- Mr. Bernard Nyamai
8. Representative of Youth through the National Youth council –Maureen Tabitha
9. Representative of people living with disability – Mr. Maurice Mbevo

Succession

The succession to the facility health management committee is as follows: -

A member of the committee, apart from the Secretary, shall hold office for a period of three years and shall be eligible for re- appointment for one further term based on the performance.

Funds of the Committee

The Hospital Management Committee shall manage all the hospital funds which consist of:

- Monies appropriated by the County Assembly;
- Grants or donations
- Monies received as user charges
- Income generated from the proceeds of the services
- Any other monies

Meetings of the Committee

- (a) The committee shall meet at least four times a year and shall maintain records for its deliberations and shall further allow room for emergency meetings in case of outbreaks or disasters.
- (b) The quorum for the meeting of the committee shall be five of all the members including the secretary.
- (c) The secretary shall maintain records for all committee deliberations.
- (d) The Committee shall, not later than twenty-eight (28) days after a meeting, submit copies of the minutes and reports of that meeting to the County Executive Committee Member and the committee members.
- (e) A meeting of a committee shall be held at the hospital in respect of which the committee is established.
- (f) The County Executive Committee Member may attend any meeting of a committee, provided the area members of the county assembly in the sub-county where the hospital is situated shall be at liberty to attend any meetings of the committee in furtherance of their oversight role.

Functions of the Hospital Management Committee

The committee shall –

- (a) Supervise and control the administration of the funds allocated to Kanyangi hospital
- (b) The hospital management committee shall through minutes request for the authority to open and operate a bank account from the County Executive Committee Member
- (c) Prepare specific hospital work plans based on the estimated expenditure and drugs stocking levels based on usage.
- (d) Cause to be kept basic books of accounts
- (e) Cause to be kept records of accounts of income, expenditure, assets and liabilities of the hospital.
- (f) Prepare and submit to the Chief officer in the department of health and sanitation certified periodical financial and performance reports as prescribed
- (g) Cause to be kept a permanent record of all its deliberations
- (h) Ensure planning that is consistent with the National and County Government policies, laws and regulations.
- (i) Review and approve all hospital plans including but not limited to development plans, service delivery plans and activities plans
- (j) Provide oversight to the hospital
- (k) Approve and authorise hospital budgets and expenditure.

Core responsibilities of the Kanyangi sub county hospital Management Committee

The responsibilities of the committee are outlined as follows: -

- (a) Overseeing hospital performance improvement
- (b) Participating in planning for the hospital
- (c) Mobilising resources for hospital improvement
- (d) Overseeing the financial operations of the hospital
- (e) Ensuring development of human resources
- (f) Ensuring compliance with environmental regulations and standards
- (g) Enhancing relationships and partnerships
- (h) Mitigating potential conflict of interest
- (i) Risk management

(j) Regulatory compliance

Vacation of office and remuneration of the committee members.

A member of the Committee shall cease to hold office: -

- (a) if a member is absent from three consecutive meetings of the committee without permission from the chairperson
- (b) in the case of a member of a public benefits organization, the member ceases to hold the office by virtue of which his or her nomination was made
- (c) a member is convicted of a criminal offense and sentenced to a term of imprisonment of six months or more or a fine exceeding one hundred thousand Kenya shillings
- (d) a member ceases to reside or practice in the area of hospital jurisdiction
- (e) a member voluntarily resigns in writing from the committee formally
- (f) a member is found to be unfit to hold the position on medical grounds
- (g) a member dies
- (h) a member is involved in an act resulting to conflict of interest with the position held by the member
- (i) a member is guilty of gross misbehaviour or misconduct
- (j) a member is found to be incompetent to hold the position
- (k) a member is convicted of an offence involving dishonesty or fraud
- (l) a member is adjudged bankrupt or enters into a composition scheme of arrangement with his or her creditors or
- (m) a genuine petition from the public is lodged against the member.

Remuneration: -

The members remuneration shall be determined by the Salaries and Remuneration Commission.

Relationship between the Hospital Management team and Hospital Management Committee

- (1) The Hospital Management committee shall notify the hospital management team of all its meetings and ensure that the minutes and plans of every meeting are supplied to the hospital management team within seven (7) days of its meetings.
- (2) The hospital management team shall ensure that the minutes received under this section are forwarded to the Chief officer in the county ministry of health and sanitation who shall in turn brief the County Executive Committee member on the minutes and plans.

9. Management Discussion and Analysis

The following is a brief outline of management discussion and analysis: -

Clinical/operational performance

Kyangi Sub County Hospital being geographically centrally located within Kitui Rural receives patients from Kyangi Ward and its environment

The Maternity ward has an 18-bed capacity while the inpatient rooms are 18 bed capacity

The facility also has a 1-bed accident and emergency room used for casualty patients.

The hospital had an OPD workload of 14,343 for the financial 2023/2024.

SPECIALISED CLINIC ATTENDANCE

The following line graphs show the special clinics attendance for year ended June 2024 including Medical outpatient clinic (MOPC), Comprehensive care clinic (CCC) for HIV patients and Tuberculosis (TB) clinic.

There is a significant drop in MOPC clients towards the end of the fourth quarter which can be explained by lack of an insurance scheme and hard economic conditions and low income for the patients and thus could not access health care since the patients did not have any other form of health insurance to cover for their care.

Notes

The surgical theatre is not operational and currently houses the facility Laboratory, CCC clinic, Kitchen and Food store. In this regard only, minor operations under local anaesthesia are performed within the facility.

The facility also partnered with World Vision for the construction of two toilets in this financial year.

Financial performance that includes

Revenue is collected as service fees for the health care services administered to the patients

The revenue streams included NHIF and via MPESA to the Kitui County Government Paybill number 815815.

The Major revenue source for the facility are the funds that are disbursed from the County government in the form of FIF (facility improvement funds)

The following table is a summary of the revenue collection for the period ending 30th JUNE 2024. A much more detailed outline of the same is highlighted in a later section of this statement.

Below is a consolidated summary of income and expenditure for the last 2 financial years

FINANCIAL YEAR	2022/2023	2023/2024
	Kshs.	Kshs.
Income	5,826,216.45	5,117,208
Income From Rendering Services	3,587,470	6,003,663
Expenditure	9,447,750	9,942,812
Difference	(34,073.55)	1,178,059

Kanyangi level 4 hospital (Kitui County Government)
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The funds were mainly used to run the day-to-day activities of the facility including Food and ration, Cleaning materials, Casual wages, Locums, Daily subsistence allowances, Records materials, Water and Sewerage, Electricity, Fuels, Station Maintenance among others.

The summary breakdown is as follows;

Employee cost **Kes.840,300.00** _16.42%

Medical cost **Kes1,133,170** – 22.33%

Repair and Maintenance **Kes 633,080** – 12.39%

General Cost **Kes. 2,514,369** -48.89%



Name **DR. MARTIN NKOLE**

Secretary to the Board

10. Environmental And Sustainability Reporting

Kanyangi Sub-County Hospital exists to transform lives. It's what guides us to deliver our strategy, putting the welfare of the patient first in delivering health services. Below is an outline of the organisation's policies and activities that promote sustainability.

i) Sustainability strategy and profile

The hospital has planted trees in the hospitals compound to improve environmental sustainability of the region

ii) Environmental performance

The area around the hospital receives fair amount of rainfall.

iii) Employee welfare

The hospital operates as per the set Human Resource Policies borne by the County and International levels.

Vii. Market place practices-

The following can be stated in relation to Kanyangi Sub County Hospital:

a) Responsible competition practice.

The organization is in existence to provide medical health services to the community and within the Sub County with no motive of making profits.

b) Responsible Supply chain and supplier relations

The hospital is equipped with experienced supply chain staff who coordinates with reliable suppliers to bring good and offer services as per the contracts given and prepare documents for payment processing.

c) Responsible marketing and advertisement

No advertisements are done but the hospital maintains good customer care services

d) Product stewardship

Mechanisms are put in place to make sure the services are offered by the facility in an effective and efficient manner.

iv) Corporate Social Responsibility / Community Engagements

Since the Covid 19 hit the country and also due to inadequate funding by the county government the Hospital minimized its CSR activities due to its effects and on the verge to continue with the engagement with the community.

11. Report of The Board of Management

The Board members submit their report together with the Audited Financial Statements for the year ended June 30, 2024, which show the state of the *hospital's* affairs.

Principal activities

The principal activities of the Kanyangi level 4 hospital are to provide quality healthcare services.

Results

The results of the Kanyangi level 4 hospital for the year ended June 30 2024 are set out on pages 1 to

8



Board of Management

The members of the Board who served for part of the year are shown on page vi. During the year, 2024 there was no appointment done to recruit new board. Their appointment was revoked as per gazette notice number 13546 dated 6th October 2023.

Auditors

The Auditor General is responsible for the statutory audit of the *Kanyangi level 4 hospital* in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



Name **DR. MARTIN ARISLET**
Secretary to the Board

12. Statement of Board of Management's Responsibilities

Section 164 of the Public Finance Management Act, 2012 the Board of Management to prepare financial statements in respect of that *Kanyangi level 4 hospital*, which give a true and fair view of the state of affairs of the *Kanyangi level 4 hospital* at the end of the financial year/period and the operating results of the *Kanyangi level 4 hospital* for that year/period. The Board of Management is also required to ensure that the *Kanyangi level 4 hospital* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *Kanyangi level 4 hospital*. The council members are also responsible for safeguarding the assets of the *Kanyangi level 4 hospital*.

The Board of Management is responsible for the preparation and presentation of the *Kanyangi level 4 hospital's* financial statements, which give a true and fair view of the state of affairs of the *Kanyangi level 4 hospital* for and as at the end of the financial year (period) ended on June 30, 2024. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the *Kanyangi level 4 hospital*, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the *Kanyangi level 4 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 *Kanyangi level 4 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 (*– entities should quote applicable legislation as indicated under*). The Board members are of the opinion that the *Kanyangi level 4 hospital's* financial statements give a true and fair view of the state of *Kanyangi level 4 hospital's* transactions during the financial year ended June 30, 2024, and of the *Kanyangi level 4 hospital's* financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the *Kanyangi level 4 hospital*, which have been relied upon in the preparation of the *Kanyangi level 4 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 *Kanyangi level 4 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

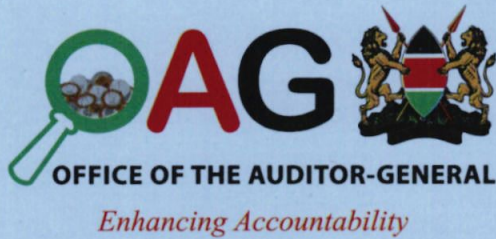
The Hospital's financial statements were approved by the Board on 30/12/2024 and signed on its behalf by:

.....
Name:
Chairperson
Board of Management


Name: DR. MARTIN AKRILET
Accounting Officer

REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
Monrovia Street
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NAIROBI

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

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kanyangi Level 4 Hospital – County Government of Kitui set out on pages 22 to 59, which comprise of the statement

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

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

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

Review of the financial statements revealed that various amounts reflected in the statement of financial performance differed with those reflected in the statement of cash flows as detailed below;

Item Description	Amount as per Statement of Financial Performance (Kshs.)	Amount as per Statement of Cash Flows (Kshs.)	Variance (Kshs.)
Rendering of services-medical service income	5,818,762	4,622,162	1,196,600
Medical/clinical costs	1,133,170	1,268,570	(135,400)
Repairs and maintenance	633,080	686,080	(53,000)
General expenses	2,514,369	2,767,939	(253,570)

Further, the statement of financial performance reflects refunds to the county government of Kshs.4,636,992 as disclosed in Note 14 to the financial statements. However, the corresponding Note 14 to the financial statements was omitted from the financial statements. In addition, the statement of cash flows reflects capital fund opening balance of Kshs.3,678,076 which differ from the nil balance reflected in the year under review. The resultant variance of Kshs.3,678,076 was not explained.

In the circumstances, the accuracy of the financial statements could not be confirmed.

2. Unsupported Cash and Cash Equivalents

The statement of financial position reflects a balance of Kshs.13,720 in respect of cash and cash equivalents which, as disclosed in Note 15 to the financial statements, comprised of bank balances of Kshs.13,440 and Kshs.280. However, the bank balance of Kshs.280 was not supported with a cash book and bank reconciliation statement.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.13,720 could not be confirmed.

3. Non-Disclosure of Property, Plant and Equipment

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

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

4. Non-Disclosure of Employee Costs Paid by the County Government

The statement of financial performance reflects an expenditure of Kshs.840,300 in respect of employee costs as disclosed in Note 10 to the financial statements. The Hospital received services from thirteen (13) medical staff employed and paid by the County Government. However, the expenditure was not disclosed in the financial statements and the payroll was not provided for audit verification.

In the circumstances, the accuracy and completeness of employee costs of Kshs.840,300 could not be confirmed.

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Audit Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on and Effectiveness of Internal Controls, Risk Management and Governance. However, the issues remained unresolved as at 30 June, 2024 contrary to Section 149 (2) (1) of Public Finance Management Act, 2012 which require Accounting Officers designated for County Government entities to try to resolve any issues resulting from an audit that remain outstanding.

Other Information

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

In connection with my audit on the Kanyangi Level 4 Hospital - County Government of Kitui financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. In my opinion, I confirm that the other information is not materially inconsistent with the financial statements.

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 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 and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.1,720,877 as disclosed in Note 20 to the financial statements. However, included in

the balance are trade payables amounting to Kshs.795,977 which had been outstanding for more than one (1) year. This was 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 contract(s) are reflected in approved budget estimates.

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

2. Deficiencies in Implementation of Universal Health Coverage

Review of Hospital records and interviews on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits of eighty-eight (88) employees or 87% of the authorized establishment as detailed below:

Staff Requirements	Level Standard	4	Number in Hospital	Variance/ Staff Deficit	Percentage (Deficit versus Standard) %
Medical officers	16		2	14	87
Anesthesiologists	2		0	2	0
General surgeons	2		0	2	0
Gynaecologists	2		0	2	0
Paediatrics	2		0	2	0
Radiologists	2		0	2	0
Kenya Registered Community Health Nurses	75		11	64	85
Total	101		13	88	87

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

Service	Level 4 Hospital Minimum Requirements	Actuals in the Hospital	Variance/ Deficit	Percentage Deficit (%)
Beds	150	28	122	81
Resuscitative (2 in Labor and 1 in Theatre)	2	0	2	100
New-born Unit Incubators	5	2	3	60

Service	Level 4 Hospital Minimum Requirements	Actuals in the Hospital	Variance/ Deficit	Percentage Deficit (%)
New- born Unit Cots	5	0	5	100
Functional ICU Beds	6	0	6	100
High Dependency Unit (HDU) Beds	6	0	6	100
Renal Unit with at least 5 Dialysis Machines	5	0	5	100
Two Functional operational theatres - Maternity and General	2	0	2	100

Further, audit verification of the theatre renovation by the County Government of Kitui revealed that it was not equipped, the switch box in the recovery room was unplastered, and the door frame was damaged due to termite infestation. In addition, a section of the recovery room was incomplete, with a leaking roof. 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 Hospital will not be able to deliver on its mandate.

3. Failure to Register the Pharmacy with the Pharmacy and Poisons Board

Physical verification of the Hospital revealed that, the Hospital pharmacy is not registered with the Pharmacy and Poisons Board (PPB). This was contrary to Section 23(1) of Pharmacy and Poisons Act, 2012 (Revised 2015) which states that it shall not be lawful for any person to carry on the business of a pharmacist except in premises registered in accordance with this Section.

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

4. Failure to Dispose Unserviceable Assets

The statement of financial position reflects a nil balance under property, plant and equipment. However, field verification revealed that the Hospital had some unserviceable and unutilized assets that have not been disposed-off. This was contrary to Section 164 (1) of the Public Procurement and Asset Disposal Act, 2015 which states that the employee in charge of unserviceable, obsolescent, obsolete or surplus assets shall bring the matter to the attention of the Disposal Committee through the Head of the Procurement Function.

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

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

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

Conclusion

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

Basis for Conclusion

1. Lack of a Hospital Management Board

During the year under review, the Hospital did not have a Board of Management to direct the Hospital in achieving its strategic objectives.

In the circumstances, the Hospital's strategic objectives may not be achieved.

2. Expired Medical Supplies

The statement of financial position reflects an inventory balance of Kshs.4,019,728 as disclosed in Note 18 to the financial statements. However, review of the store records on pharmaceuticals and non-pharmaceuticals revealed that some 3,766 units of various drugs valued at Kshs.34,177 had expired.

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

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

Responsibilities of the Management and 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 controls as Management determines is

necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

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

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

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

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

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

systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

13 January, 2025

Kyangi level 4 hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2024

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

Description	Note	2023/2024	2022/2023
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	6	5,117,208	5,814,716.45
In- kind contributions from the County Government	7	68,665,037	57,948,361
cash deposit			11,500
Revenue from exchange transactions		73,782,245	63,774,577
Rendering of services- Medical Service Income	8	5,818,762	3,587,470
Revenue from exchange transactions		5,818,762	3,587,470
Total revenue		79,601,007	67,362,047
Expenses			
Medical/Clinical costs	9	1,133,170	1,714,780
Employee costs	10	840,300	739,200
Board of management	11		196,200
Repairs and maintenance	12	633,080	701,600
General expenses	13	2,514,369	2,497,010
Refunds to the County Government	14	4,636,992	3,587,470
Cash deposit			11,500
In- kind contributions	7	68,665,037	57,948,361
Total expenses		78,422,948	67,396,121
Net Surplus / (Deficit) for the year		1,178,059	(34,074)

The Hospital's financial statements were approved by the Board on 30/12/2024 and signed on its behalf by:

.....
Chairman

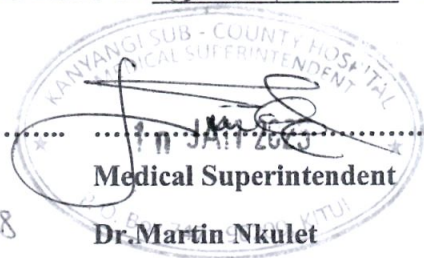
Board of Management

dt
.....
Head of Finance

ICPAK No: 19698

.....
Medical Superintendent

Dr. Martin Nkulet



15. Statement of Financial Position As At 30th June 2024

Description	Note	2023/2024	2022/2023
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	15	13,720	26,601
Receivables from exchange transactions	16	1,158,647	-
Receivables from non-exchange transactions	17	882,792	-
Inventories	18	4,019,728	4,874,394
Total Current Assets		6,074,887	4,900,995
Non-current assets			
Property, plant, and equipment	19	-	-
Total Non-current Assets			
Total assets (A)		6,074,887	4,900,995
Liabilities			
Current liabilities			
Trade and other payables	20	1,720,877	1,725,045
Total Current Liabilities		1,720,877	1,725,045
Non-current liabilities			-
Total Non-current liabilities			
Total Liabilities (B)		1,720,877	1,725,045
Net assets (A-B)		4,354,010	
			-
Represented by:			
Revaluation reserve		-	
Accumulated surplus/Deficit		4,354,009	-502,125.50
Capital Fund			3,678,076
Net Assets		4,354,009	4,900,995

The Hospital's financial statements were approved by the Board on 30/06/2024 and signed on its behalf by:

.....
 ...
Chairman
Board of Management

.....

Head of Finance
ICPAK No: 19678

.....

Medical Superintendent
DR. Martin Nkulet

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

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2022		(468,052)		(468,052)
Revaluation gain		-	-	-
Surplus/(deficit) for the year		(34,074)	-	(34,074)
Capital/Development grants		-	-	-
As at June 30, 2023	-	(502,126)		(502,126)
				-
At July 1, 2023	-	(502,126)	-	(502,126)
Revaluation gain				-
Surplus/(deficit) for the year		1,178,059		1,178,059
Capital/Development grants		3,678,076		3,678,076
At June 30, 2024	-	4,354,009	-	4,354,009

Kanyangi level 4 hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2024

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

Description	Note	2023/2024	2022/2023
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government		5,617,208	5,826,216
Rendering of services- Medical Service Income		4,622,162	3,587,470
Total Receipts		10,239,370	9,413,686
			-
Payments			
Medical/Clinical costs		1,268,570	1,714,780
Employee costs		907,500	739,200
Repairs and maintenance		686,080	701,600
board of management			196,200
General expenses		2,767,939	2,497,010
Refunds to the County Government		4,622,162	3,587,470
Total Payments		10,252,251	9,447,750
Net cash flows from operating activities	21	(12,881)	
Cash flows from investing activities			
Purchase of property, plant, equipment & intangible assets			
Net cash flows used in investing activities			
Cash flows from financing activities			
Net cash flows used in financing activities			
Net increase/(decrease) in cash and cash equivalents		(12,881)	(34,074)
Cash and cash equivalents as at July 1, 2023	15	26,601	(297,716)
Cash and cash equivalents as at June 30, 2024	15	13,720	26,601

Kanyangi level 4 hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2024

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Transfers from the County Government	6,049,574	-	6,049,574	5,117,208	932,366	85%
Rendering of Services	5,818,762	-	5,818,762	5,818,762	-	100%
Total Income	11,868,336	-	11,868,336	10,935,970	932,366	92%
Expenses						
Medical / Clinical Costs	1,500,000	-	1,500,000	1,133,170	366,830	76%
Employee Costs	1,000,000	-	1,000,000	840,300	159,700	113%
Repairs and Maintenance (Buildings)	849,574	-	849,574	633,080	216,494	99%
General expenses	2,700,000	-	2,700,000	2,514,369	185,631	93%
Transfers to the County Government	5,818,762	-	5,818,762	4,636,992	1,181,770	85%
Total Expenditure	11,868,336	-	11,868,336	9,757,911	2,110,425	82%
Surplus for the period	-	-	-	1,178,059	(1,178,059)	
Capital Expenditure	-	-	-	-	-	

19. .Notes to the Financial Statements

1. General Information

Kanyangi Sub County Hospital was established by and derives its authority and accountability from The Medical Practitioners and Dentists Act. The entity is wholly owned by the Government of Kitui and is domiciled in Kenya. The entity's principal activity is to provide medical healthcare within and outside its sub county.

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 *Kanyangi level 4 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 Note 5 The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *Kanyangi level 4 hospital*. The financial statements have been prepared in accordance with the PFM Act, and *(include any other applicable legislation)*, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

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

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

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

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Kyangi level 4 hospital.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><i>State the expected impact of the standard to the Kyangi level 4 hospital if relevant</i></p>
IPSAS 45- Property	<p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets,</p>

Kanyangi level 4 hospital (Kitui County Government)

Annual Report and Financial Statements for The Year Ended 30th June 2024

Standard Effective date and impact:

Plant and Equipment infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.

State the expected impact of the standard to the Kanyangi level 4 hospital if relevant

IPSAS 46 ***Applicable 1st January 2025***

Measurement The objective of this standard was to improve measurement guidance across IPSAS by:

- i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.
- ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;
- iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.

The standard also introduces a public sector specific measurement bases called the current operational value.

State the expected impact of the standard to the Kanyangi level 4 hospital if relevant

IPSAS 47- ***Applicable 1st January 2026***

Revenue This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an Kanyangi level 4 hospital shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.

State the expected impact of the standard to the Kanyangi level 4 hospital if relevant

Kanyangi level 4 hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2024

Standard	Effective date and impact:
IPSAS 48- Transfer Expenses	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p><i>State the expected impact of the standard to the Kanyangi level 4 hospital if relevant</i></p>
IPSAS 49- Retirement Benefit Plans	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p><i>State the expected impact of the standard to the Kanyangi level 4 hospital if relevant</i></p>

iii) Early adoption of standards

The Kanyangi level 4 hospital did not early – adopt any new or amended standards in the financial year or *the Kanyangi level 4 hospital adopted the following standards early (state the standards, reason for early adoption and impact on Kanyangi level 4 hospital's financial statements.)*

4. Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the *Kyangi level 4 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 *Kyangi level 4 hospital* 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 *Kyangi level 4 hospital*.

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 2023/2024 was approved by Board on ***Kanyangi level 4 hospital***. 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 Kanyangi level 4 hospital upon receiving the respective approvals in order to conclude the final budget. Accordingly, the ***Kanyangi level 4 hospital*** recorded additional appropriations of ***Kanyangi level 4 hospital*** on the FY 2023/2024 budget following the Board's approval. The ***Kanyangi level 4 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 8 under section 8 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 - 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 Kyangi level 4 hospital recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

f. Leases

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Kyangi level 4 hospital. 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 Kyangi level 4 hospital 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 Kyangi level 4 hospital 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 Kyangi level 4 hospital. 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 Kanyangi level 4 hospital expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Kanyangi level 4 hospital 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 Kanyangi level 4 hospital does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the hospital's financial statements. (amend as appropriate).*

A financial instrument is any contract that gives rise to a financial asset of one Kanyangi level 4 hospital and a financial liability or equity instrument of another Kanyangi level 4 hospital. At initial recognition, the Kanyangi level 4 hospital 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 Kanyangi level 4 hospital 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 Kanyangi level 4 hospital'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 Kanyangi level 4 hospital 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 Kanyangi level 4 hospital 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 Kyangi level 4 hospital 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 Kyangi level 4 hospital 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 Kyangi level 4 hospital recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note xx*.

Financial liabilities

Classification

The Kyangi level 4 hospital 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 Kyangi level 4 hospital.

k. Provisions

Provisions are recognized when the Kyangi level 4 hospital 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 Kyangi level 4 hospital 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 Kyangi level 4 hospital 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 Kyangi level 4 hospital will incur in fulfilling the present obligations represented by the liability.

m. Contingent liabilities

The Kyangi level 4 hospital 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 Kyangi level 4 hospital 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 Kyangi level 4 hospital 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 Kyangi level 4 hospital creates and maintains reserves in terms of specific requirements. *(Kyangi level 4 hospital to state the reserves maintained and appropriate policies adopted.)*

p. Changes in accounting policies and estimates

The Kyangi level 4 hospital 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 Kanyangi level 4 hospital provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an Kanyangi level 4 hospital pays fixed contributions into a separate Kanyangi level 4 hospital (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.

Notes to the Financial Statements (Continued)

t. Related parties

The Kanyangi level 4 hospital regards a related party as a person or an Kanyangi level 4 hospital with the ability to exert control individually or jointly, or to exercise significant influence over the *Kanyangi level 4 hospital*, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO/principal and senior managers.

Notes to the Financial Statements (Continued)

u. Service concession arrangements

The Kanyangi level 4 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 *Kanyangi level 4 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 *Kanyangi level 4 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.

Notes to the Financial Statements (Continued)

w. Comparative figures

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

x. Subsequent events

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

Notes to the Financial Statements (Continued)

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Kyangi level 4 hospital'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 Kyangi level 4 hospital 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 Kyangi level 4 hospital. 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 Kyangi level 4 hospital.
- 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.

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Notes to the Financial Statements (Continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note -. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

6. Transfers from the County Government

Description	FY 2023/2024 22/23	FY 2022/2023
	KShs	KShs
Unconditional grants		
Operational grant	5,117,208	5,814,716.45
Unconditional development grants	-	-
TOTAL	5,117,208	5,814,716.45

6 b Transfers from The County Government

Name of the Kyangi level 4 hospital 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 FY 22/23
			KShs	KShs	KShs
Kitui County Government	5,117,208			5,117,208	5,814,716
Total	5,117,208			5,117,208	5,814,716

7. In Kind Contributions from The County Government

Description	2023/2024	2022/2023
	KShs	KShs
Salaries and wages	54,691,952	57,948,361
Medical supplies-Drawings Rights (KEMSA)	2,735,612	
Pharmaceuticals and Non-Pharmaceutical Supplies (other suppliers)	2,184,526	
CMMB	562,400	
Salaries and wages for ciheb	2,109,867	
world Vision	2,300,000	
Grants Thearte and fencing	4,080,680	

Kyangi level 4 hospital (Kitui County Government)

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Total grants in kind	68,665,037	57,948,361
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8. Rendering of Services-Medical Service Income

Description	2023/2024	2022/2023
	Kshs	Kshs
Pharmaceuticals	694,130	
Inpatient	43,540	
Laboratory	88,488	
Registration and Files	348,456	
NHIF Outpatient	32,090	
Physiotherapy	19,290	
Therapy	1,450	
consultation	42,333	
NHIF	4,548,985	3,587,470
Total revenue from the rendering of services	5,818,762	3,587,470

9. Medical/ Clinical Costs

Description	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
Food and Ration	475,020	539,600
Health information stationery	451,600	943,180
Sanitary and cleansing Materials	206,550	232,000
Total medical/ clinical costs	1,133,170	1,714,780

10. Employee Costs

Description	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
Salaries, wages, and allowances	812,700	708,400
Staff medical expenses and Insurance cover	27,600	30,800
Employee costs	840,300	739,200

Notes to the Financial Statements (Continued)

11. Board of Management Expenses

Description	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
Sitting allowance	-	196,200
Total	-	196,200

12. Repairs And Maintenance

Description	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
Property- Buildings	189,820	440,000
Office equipment	64,400	
Motor vehicle expenses	378,860	261,600
Total repairs and maintenance	633,080	701,600

Notes to the Financial Statements (Continued)

13. General Expenses

Description	2023/2024	2022/2023
	Kshs	Kshs
Bank charges	29,750	18,010
Electricity expenses	22,600	40,000
Fuel and Lubricants	1,130,000	1,518,400
Travel and accommodation allowance	346,519	412,600
Printing and stationery	507,500	
Catering services	50,000	
standing imprest	171,000	251,000
Water and sewerage costs	57,000	115,000
Other Fuels	20,000	
Telephone and mobile phone services	180,000	142,000.00
Total General Expenses	2,514,369	2,497,010

Notes to the Financial Statements (Continued)

17. Transfer to County Government

Description	2023/2024	2022/2023
	KShs	KShs
Transfer to County Government	4,636,992	3,587,470
Total transfer to county government	4,646,992	3,587,470

18. Cash And Cash Equivalents

Description	2023/2024	2022/2023
	KShs	KShs
Current accounts	13,720	26,601
Total cash and cash equivalents	13,720	26,601

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

Description		FY 2023/2024	FY 2022/2023
Financial institution	Account number	KShs	KShs
a) Current account			
Nationaal bank	01001036319100	13,440	26,601
Nationaal bank	01001036306200	280	-
Sub- total		13,720	26,601
Grand total		13,720	26,601

Notes to the Financial Statements (Continued)

19. Receivables From Exchange Transactions

Description	FY 2023/2024	FY 2022/2023
	KShs	KShs
Medical services receivables	1,158,647	-
Total receivables	1,158,647	-

16(a). Analysis of Receivables From Exchange Transactions

Description	FY 2023/2024		Insert Comparative FY	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	1,158,647	%		%
Between 1- 2 years	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (a+b)	1,158,647	%	-	%

20. Receivables From Non-Exchange Transactions

Description	2023-2024	2022-2023
	KShs	KShs
Transfers from the County Government	882,792	
Total	882,792	

Notes to the Financial Statements (Continued)

17(a). Analysis of Receivables From Non-Exchange Transactions

Description	2023-2024		2022-2023	
	Kshs		Kshs	
	2023-2024	% of the total	2023-2024	% of the total
Less than 1 year	882,792	%		%
Between 1- 2 years		%		%
Total (a+b)	882,792	%		%

21. Inventories

Description	2023/2024	2022/2023
	KShs	KShs
Pharmaceutical and Non-pharmaceuticals	4,019,728	4,874,394
Total	4,019,728	4,874,394

Notes to the Financial Statements (Continued)

22. Property, Plant and Equipment

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
Cost								
At 1 July 2022 (previous year)	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-
At 30th Jun 2023	-	-	-	-	-	-	-	-
At 1 July 2023 (current year)	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfer/adjustments		-	-	-	-	-	-	-
At 30th Jun 2024	-	-	-	-	-	-	-	-
Depreciation and impairment								
At 1 July 2022 (previous year)		-	-	-	-	-	-	-
Depreciation for the year		-	-	-	-	-	-	-
Disposals		-	-	-	-	-	-	-
Impairment		-	-	-	-	-	-	-
At 30 June 2023		-	-	-	-	-	-	-

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At July 2023 (current year)		-	-	-	-	-	-	-
Depreciation		-	-	-	-	-	-	-
Disposals		-	-	-	-	-	-	-
Impairment		-	-	-	-	-	-	-
Transfer/adjustment		-	-	-	-	-	-	-
At 30th June 2024		-	-	-	-	-	-	-
Net book values								
At 30 th Jun 2023 (previous)	-	-	-	-	-	-	-	-
At 30 th Jun 2024 (current)	-	-	-	-	-	-	-	-

Notes to the Financial Statements (Continued)

23. Trade and other Payables

Description	2023/2024	2022/2023
	KShs	KShs
Trade payables	1,720,877	1,725,045
Employee dues	-	-
Third-party payments (e.g. unremitted payroll deductions)	-	-
Total trade and other payables	1,720,877	1,725,045
Ageing analysis:	2023/2024	2022/2023
Under one year	1,720,877	1,725,045
1-2 years	-	-
Total	1,720,877	1,725,045

24. Cash Generated from Operations

Description	2023/2024	2022/2023
	KShs	KShs
Surplus for the year before tax	1,178,059	(34,074)
Adjusted for:		
Depreciation		
Non-cash grants received		
Working Capital adjustments		
Increase in inventory	854,666	4,874,394
Increase in receivables	(2,041,439)	
Increase in payables	(4,168)	1,725,045
Net cash flow from operating activities	(12,882)	(34,073)

Notes to the Financial Statements (Continued)

25. Financial Risk Management

The Kyangi level 4 hospital's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The hospital's overall risk management programme focuses on the unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The hospital does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history. The Kyangi level 4 hospital's financial risk management objectives and policies are detailed below:

(i) Credit risk

The Kyangi level 4 hospital has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the hospital's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the Kyangi level 4 hospital'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)	26,601	26,601		
Receivables from exchange transactions			-	-
Receivables from –non-exchange transactions			-	-
Bank balances			-	-
Total	26,601	26,601	-	-
At 30 June 2024 (current year)				
Receivables from exchange transactions	1,158,647	1,158,647	-	-
Bank balances	13,720	13,720	-	-
Total	1,172,367	1,172,367	-	-

Notes to the Financial Statements (Continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the hospital has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Kyangi level 4 hospital has significant concentration of credit risk on amounts due from Kyangi level 4 hospital. The board of management sets the hospital's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the hospital's board of management who have built an appropriate liquidity risk management framework for the management of the Kyangi level 4 hospital's short, medium and long-term funding and liquidity management requirements. The Kyangi level 4 hospital manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

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

(iii) Market risk

The hospital has put in place an internal audit function to assist it in assessing the risk faced by the Kyangi level 4 hospital 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 Kyangi level 4 hospital's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The hospital's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the Kyangi level 4 hospital's exposure to market risks or the way it manages and measures the risk.

Notes to the Financial Statements (Continued)

a) Foreign currency risk

The Kyangi level 4 hospital 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 Kyangi level 4 hospital'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 2024			
Financial assets (investments, cash, debtors)	-	-	-
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

The Kyangi level 4 hospital 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.

Description	KShs	Other currencies	Total
	Kshs		Kshs
At 30 June 2024			
Financial assets (investments, cash, debtors)	-	-	-
Liabilities			
Trade and other payables	-	-	-
Net foreign currency asset/(liability)	-	-	-

Foreign currency sensitivity analysis

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

Notes to the Financial Statements (Continued)

b) Interest rate risk

Interest rate risk is the risk that the Kyangi level 4 hospital's financial condition may be adversely affected as a result of changes in interest rate levels. The hospital's interest rate risk arises from bank deposits. This exposes the hospital to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the hospital's deposits.

Management of interest rate risk

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

Sensitivity analysis

The Kyangi level 4 hospital 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 - (: KShs -). A rate increase/decrease of 5% would result in a decrease/increase in surplus of KShs - - KShs -).

Notes to the Financial Statements (Continued)

26. Related Party Balances

Nature of related party relationships

Entities and other parties related to the Kanyangi level 4 hospital 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.

- County Government is the principal shareholder of the *Kanyangi level 4 hospital*, holding 100% of the *Kanyangi level 4 hospital's* equity interest. The National Government of Kenya has provided full guarantees to all long-term lenders of the Kanyangi level 4 hospital, both domestic and external. The related parties include:

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

27. Events after the Reporting Period

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

28. Ultimate and Holding Kanyangi level 4 hospital

The Kanyangi level 4 hospital is a State Corporation/ or a Semi- Autonomous Government Agency under the Department of health and sanitation. Its ultimate parent is the County Government of Kitui.

29. Currency

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

20. Appendices

Appendix 1: Progress on Follow Up of Auditor Recommendations

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

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

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report.
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from the final external audit report that is signed by Management.
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your Kanyangi level 4 hospital responsible for implementation of each issue.
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.


DR. MARTIN KULET
 Accounting Officer

Appendix II: Projects Implemented by The Kyangi level 4 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 Completion and Operationalization of Kyangi Level IV Hospital Theatre	28	County government of kitui	5 months		Yes	No
2 Fencing and Construction of A Gate And Sentry House At Kyangi Level Iv Hospital	11	County government of kitui	5 months		yes	no

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Status of Projects completion

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

SN	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Completion and Operationalization of Kanyangi Level IV Hospital Theatre	533,040	152,726	Complete but not in use	500,000	533,040	County Government of kitui
2	Fencing and Construction of A Gate And Sentry House At Kanyangi Level Iv Hospital	3,547,640	0	ONGOING	3,500,000	3,547,640	County Government of kitui
3							

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Appendix III: Inter-K Confirmation Letter

Name of TransferringKitui county Government

Name of Beneficiary Kyangi level 4 hospital

Confirmation of amounts received by [Insert name of beneficiary Kyangi level 4 hospital] as at 30 th June (Current FY)					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
REC/0001090110	8/14/2023	500,000		500,000	Received
REC/0001091137	9/13/2023	500,000		500,000	Received
REC/0001091949	9/29/2023	500,000		500,000	Received
REC/0001093329	10/27/2023	500,000		500,000	Received
REC/0001094660	12/1/2023	500,000		500,000	Received
REC/0001095884	1/4/2024	500,000		500,000	Received
REC/0001097100	2/2/2024	500,000		500,000	Received
REC/0001098971	3/6/2024	500,000		500,000	Received

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REC/0001099830	4/4/2024	500,000		500,000	Received
REC/0001100730	5/16/2024	500,000		500,000	Received
REC/0001101855	6/10/2024	117,208		117,208	Received
TOTAL		<u>5,117,208</u>		<u>5,117,208</u>	Received

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

Head of Accounts Department - Disbursing Entity

Name Annastacia Njoroti Sign [Signature] Date 30/12/2024

Head of Accounts Department - Beneficiary Entity

Name Margaret Kavembe Sign [Signature] Date 30/12/2024

*Kanyangi level 4 Hospital (Kitui County Government)
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