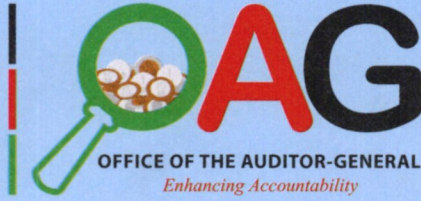
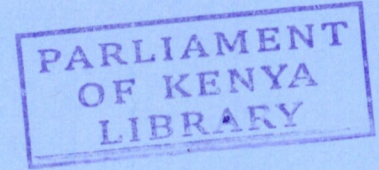


REPUBLIC OF KENYA



**REPORT**



**OF**

**THE AUDITOR-GENERAL**

**ON**

**TSEIKURU SUB-COUNTY HOSPITAL**

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

**COUNTY GOVERNMENT OF KITUI**

DATE	27/11/25
TABLED BY	SML
COMMITTEE	—
CLERK AT THE TABLE	Ms. Nabalayo O



OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
MACHAKOS HUB.  
17 NOV 2025  
**RECEIVED**



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**Tseikuru Sub-County Hospital  
(Kitui County Government)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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

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

CSR	Corporate Social Responsibility
SCMA	Supply Chain Management Assistant
HRIO	Health Records & Information Officer
OSHA	Occupational Health & Safety Act
MET	Medical Engineer Technologist
Dr	Doctor
PHO	Public Health Officer
PFMA	Public Financial Management Act
	Financial Year
Fiduciary Management	Key management personnel who have financial responsibility in the hospital.

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

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

Tseikuru Sub-County Hospital is a gazetted public health facility by ministry of Health, Kenya Medical Practitioners and Dentist Council, Registration Number GK-010019, domiciled in Mwingi North Sub County in Kitui County under the Health department.

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

The principal activity of the hospital is to provide health services to the people of Kitui and the Government of Kenya as a whole.

**Vision:** To have a community with healthy residents who embrace preventive healthcare and access affordable and equitable healthcare services.

**Mission:** To provide accessible, affordable healthcare services to all by strengthening healthcare systems.

The hospital offers among other services, Pharmacy, Comprehensive Care Clinic, Mother Child Health Clinic, Laboratory, Nutrition, Nursing, Inpatient Care, Theatre services, Pediatric Services, New Born Unit services, and Tuberculosis clinic services.

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

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

- County Department of Health
- Board of Management
- Medical Superintendent
- Hospital Management Team

**(d) Fiduciary Management**

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

No.	Designation	Name
1.	County Executive Committee Member - Finance	<b>-Peter Mwikya Kilonzo</b>
2.	Chief Officer - Finance	<b>-CPA John Kimwele</b>
3.	County Executive Committee Member - Health	<b>-Ruth Koki</b>
4.	Chief Officer Health – Medical Services	<b>-Dr. Benson Musyoka</b>
5.	Chief Officer Health – Public Health and Sanitation	<b>-Lynn Kitwan</b>
6.	Chief Officer Health – Drugs and Medical Supplies	<b>-Aggey Kamba</b>
7.	Medical Superintendent	<b>-Dr. Isaac Musili</b>

**(e) Fiduciary Oversight Arrangements**

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

**(f) Hospital Headquarters**

P.O. Box 613-90400  
Tseikuru  
Mwingi

**(g) Hospital Contacts**

Telephone: (+254) 714159271  
E-mail: tseikurusubdistrict@yahoo.com  
Website: www.kitui.go.ke

**(h) Hospital Bankers**

Commercial Banks (*Kenya Commercial Bank*)

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

**(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

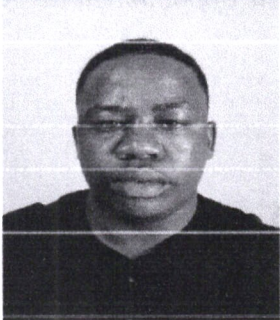



**(k) County Attorney**

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

### **3. The Board of Management**

*The appointment of the Board members was gazetted on 25<sup>th</sup> June 2021 as per Kenya Gazette Notice Number 6317. However, their appointment de gazetted as per the Gazette Notice Number 13546 dated 6<sup>th</sup> October 2023.*

**4. Key Management Team**

Ref	Management	Details
1.	 Dr. Isaac Musili Edward	<b>Medical Superintendent</b> YOB:1994 <b>Qualification:</b> Bachelor of Medicine and Bachelor of Surgery
2.	 Dennis Muthoka Mwaniki	<b>Health Administrative Officer</b> YOB:1993 <b>Qualification:</b> Bachelor of Business and Information Technology.
3.	 John Kyalo Ndambuki	<b>Nursing Officer in Charge</b> YOB:1977 <b>Qualification:</b> Bachelor of Science in Nursing
4.	 CPA Teddy Kyalo	<b>Accountant</b> YOB:1991 <b>Qualification:</b> <ul style="list-style-type: none"> <li>➤ Bachelor of Commerce (Accounting)</li> <li>➤ Certified Public Accountant of Kenya (CPA-K)</li> </ul>

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

*The appointment of the Board members including that of the Chairperson was gazetted on 25<sup>th</sup> June 2021 as per Kenya Gazette Notice Number 6317. However, their appointment de gazetted as per the Gazette Notice Number 13546 dated 6<sup>th</sup> October 2023.*

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

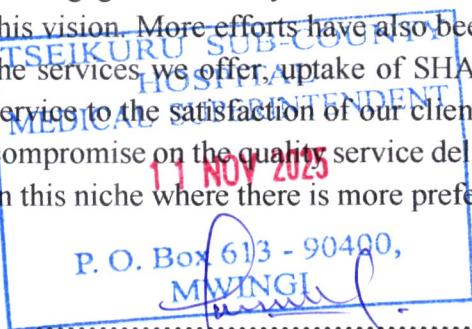
### **Operation environment.**

I am delighted to report on the performance of the facility for the fiscal year 2024-2025. The facility's performance has shown much resilience through the tough economic times occasioned by the rising inflation, recurrent healthcare workers' strikes and inadequate funding. The cash flows were relatively stable in the first half of the fiscal year. This however took a downturn in the second half due to prolonged, sustained healthcare workers' industrial action involving key cadres in the service delivery. The revenues generated were on the lower side of the projected returns. This could be owed to the adverse synergistic effect of the challenges mentioned earlier, coupled with cuts on the Facility Improvement Funds (FIF), which did not consider the inflation index, thereby, causing a major destabilisation and imbalance in the operational costs and available spending resource equilibrium.

These challenges notwithstanding, we managed to sail through. With the challenges of electricity outage from time to time, we did service the hospital generator often to serve as the main power back up as we continue pursuing for more solar installation. With more funds to the facility, we will be able to tone down on the rationing thereof. We also managed to install gutters for water harvesting hence shifting from sourcing water from water boozer delivery thus cutting operational costs. Many gains have been made that could not be listed here, thanks to the teamwork at the facility and the support from the County Health Management Team. Generally, there has been positive efforts from all relevant stakeholders and partners towards improving the general outlook and optimising on the services rendered to our catchment area.

### **Future plans.**

The hospital seeks to improve on the quality of care to its clients on the currently available services and lobbies to have more services offered. For this to be realised, there needs to be a sizeable capital investment to renovate the existing structures and set up or operationalize other critical infrastructure such as a theatre, dental unit, optical unit, blood unit, among others. The hospital has engaged the county administration, donors and partners and other stakeholders to help realise this vision. More efforts have also been put towards sensitisation of our catchment population of the services we offer, uptake of SHA services and seeking suggestions on how to improve our services to the satisfaction of our clients. The aim of this move is to maximise on returns without compromise on the quality service delivery. This will sustain us in the business as a going concern in this niche where there is more preference for services from private facilities to public facilities.



**Name : Dr. Isaac Musili Edward**

**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 hospital's performance against predetermined objectives.

Tseikuru Sub County Hospital has 3 strategic pillars.

These strategic pillars are as follows:

<b>Strategic Pillar, Theme, Issues</b>	<b>Objective</b>	<b>Key Performance Indicators</b>	<b>Activities</b>	<b>Achievements</b>
Provide Reliable Medical services to all citizen	To provide reliable Medical Services	-Number of Medical Staff -adequate pharmaceuticals and non-Pharmaceuticals stock levels	-Maintaining proper staff levels -Maintaining Proper Pharmaceuticals and Non-Pharmaceuticals	-Staff Levels improved -Improved Pharmaceuticals and Non-Pharmaceuticals
Increased Revenue	To Increase Revenue Collected	-SHA Claims received	-Follow up on the SHA Claims not received	-SHA Claims received
Customer/Patient Satisfactory	-To increase the number of Patients satisfied	-Number of patients served -Number of Complaints solved	Improve customer care services	Increased number of patients
Increased SHA Clients	-To register more clients for SHA insurance.	-Increased number of Primary Health Care	Sensitization programs at the facility and within the community	Increased number of patients getting services under SHA program.

## **8. Corporate Governance Statement**

Tseikuru Sub-County Hospital is to be governed by a board of Management comprising of eight (8) members and the secretary to the Board who is the accounting officer for the hospital. The board for the period ending 30<sup>th</sup> June 2025 was gazetted on 25<sup>th</sup> June 2021 as per Kenya Gazette Notice Number 6317.

The functions of the board of management include:

- a. Supervise and control the administration of funds allocated to the hospital;
- b. Through minutes, request the CECM to open and operate a bank account;
- c. Make sure the basic books of accounts for the Hospital are kept;
- d. Making sure records of accounts for income and expenditure and assets and liabilities are kept;
- e. Provide oversight to the hospital; among others

A member shall be added or removed according to the existing regulations on the establishment of boards of management.

The remuneration of the board members is as advised by SRC.

However, the appointment of Board members was revoked as per the Gazette Notice Number 13546 dated 6<sup>th</sup> October 2023.

**9. Management Discussion and Analysis**

**A) Clinical/operational performance**

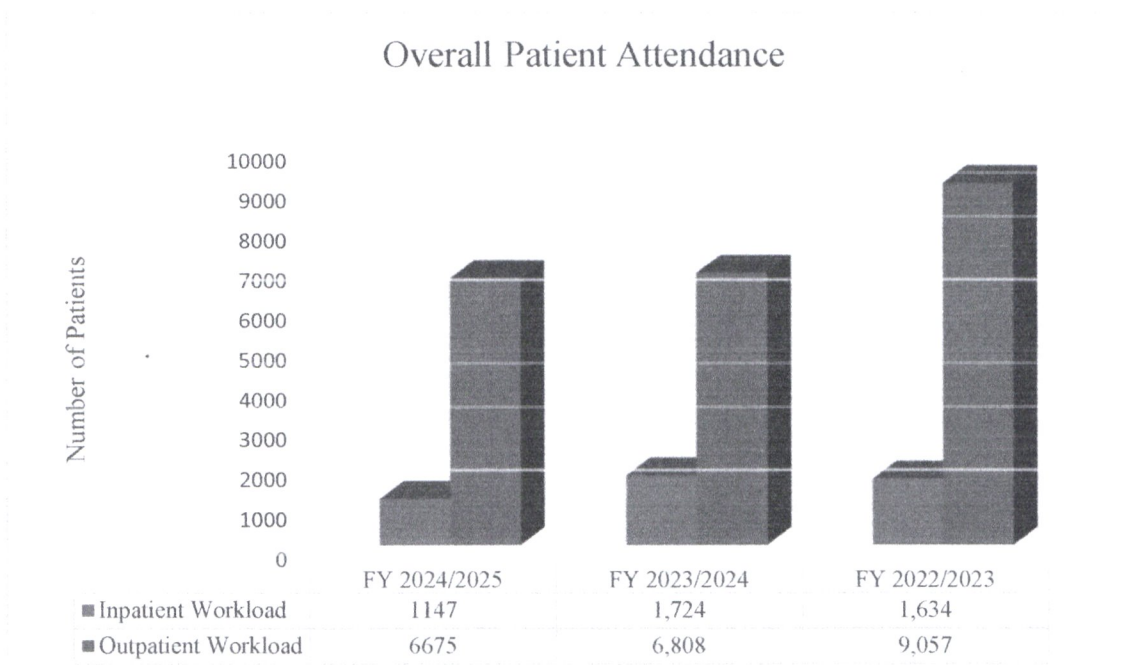
**a) Bed capacity of Tseikuru Sub-County Hospital**

<b>Bed Capacity</b>	<b>2024/2025</b>	<b>2023/2024</b>	<b>2022/2023</b>
Maternity ward	38	26	26
General wards	16	16	16
Paediatrics ward	20	20	20
<b>Total</b>	<b>74</b>	<b>62</b>	<b>62</b>

From the above table, there has been an increase in bed capacity due to infant incubator and delivery beds that the hospital during the financial year 2024/2025.

**b) Overall attendance during the year for outpatient and inpatient**

<b>Workload</b>	<b>July 2024 – June 2025</b>	<b>July 2023 – June 2024</b>
Outpatient workload	6675	6858
Inpatient workload	1147	1725
<b>Total</b>	<b>7822</b>	<b>8583</b>



As shown above there was a drop in the outpatient and inpatient attendance in the financial year July 2024 – June 2025. This was due to clinical officers’ strike, few supplies.

**c) Specialized clinic attendance**

<b>Workload</b>	<b>July 2024 – June 2025</b>	<b>July 2023 – June 2024</b>
Comprehensive care clinic	457	445
Medical clinics	1249	1240
<b>Total</b>	<b>1,706</b>	<b>1,685</b>

As shown in the table above there was increase in special clinics attendance due to improved quality of care of patients.

**d) Average length of stay in inpatient**

Average length of stay = number of days stayed by all patients during the year / number of discharges

	<b>July 2024 – June 2025</b>	<b>July 2023 – June 2024</b>
Average length of stay	5	5

**e) Occupancy rate**

Occupancy rate = (inpatient days of care /bed days available)\*100 =

	<b>July 2024 – June 2025</b>	<b>July 2023 – June 2024</b>
Occupancy rate	8 patients	11 patients

**f) Mortality rate**

Mortality rate =number of deaths /total population in which the deaths occurred \*100 =


	<b>July 2024 – June 2025</b>	<b>July 2023 – June 2024</b>
Mortality rate	0.1%	0.2%

**B) Financial performance**

In the financial year 2024/2025, the hospital received an Annual Facility Improvement Financing (FIF) of 7,551,600 as budgeted by The County Ministry of Health and Sanitation and disbursed by The County Treasury. The funds were used for procurement of medical goods and services and the hospital day-to-day running activities. The hospital as well generated a total of Ksh. 11,010,988 as revenue from medical services (SHA and Mpesa transactions). 95% of the funds received within the financial year from revenue generated for offering medical services to patients was swiped to the County Revenue Collection Fund.

<b>Financial Year/Particulars</b>	<b>2024/2025</b>	<b>2023/2024</b>	<b>2022/2023</b>
	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>
Annual disbursements from County	7,551,600	7,148,400	9,370,081
Revenue from rendering medical services	11,010,988	7,622,065	6,386,365
In- kind contributions from the County	46,296,469	57,266,553	
Expenditure	63,784,069	<b>(69,346,883)</b>	15,157,874
<b>Surplus (Deficit)</b>	<b>1,074,988</b>	<b>2,690,135</b>	<b>598,572</b>

The annual disbursements from the county government was utilized for procurement of medical goods and services as per the approved budgets by the ministry of health and sanitation.

**TSEIKURU SUB-COUNTY  
 HOSPITAL  
 MEDICAL SUPERINTENDENT**  
11 NOV 2025  
  
 P.O. Box 613 - 90400,  
 KITUI COUNTY

**Name : Dr. Isaac Musili Edward**

**Secretary to the Board**

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

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

Tseikuru Sub-County Hospital's sustainability strategy is anchored in the principles of the Sustainable Development Goals (SDGs), particularly SDG 3 (Good Health and Well-being) and SDG 13 (Climate Action). Recognizing the global trends of climate change, resource scarcity, and the need for inclusive growth, our approach is to integrate sustainability into every aspect of our operations. The hospital's sustainability priorities include improving access to quality healthcare, promoting environmental stewardship, fostering employee well-being, and strengthening community engagement.

#### **Achievements:**

Adoption of a new sustainability policy: The hospital formalized its commitment to sustainable practices by adopting a comprehensive policy that guides all departments.

Improved waste management: We have successfully implemented a waste segregation system, leading to a significant reduction in mixed waste and improved disposal efficiency.

Enhanced Service Delivery Charter: We have reviewed and updated our service delivery charter to improve patient experience and ensure transparency in our services.

### ***ii) Environmental Performance***

Tseikuru Sub-County Hospital operates under a strict Environmental Policy that aims to minimize our ecological footprint. The policy is guided by the principles of reduce, reuse, and recycle and emphasizes responsible waste management and energy conservation.

#### **Evidence of Implementation and Performance**

Waste Management: The hospital has successfully implemented a comprehensive waste management system. Color-coded bins have been placed in all wards and departments for the segregation of medical, general, and sharp waste. This has improved the efficiency of our waste disposal and ensured that hazardous waste is handled appropriately.

**iii) Employee Welfare**

Tseikuru Sub-County Hospital is committed to the well-being and professional growth of its staff. Our human resource policies are regularly reviewed and updated to ensure they are fair, transparent, and compliant with all legal requirements. We have a robust career management system. All staff members are required to undergo an annual appraisal, which identifies skill gaps. We provide regular trainings, CMEs, workshops, and opportunities for further education to enhance their skills. Our rewards system is based on performance, with clear criteria for promotions and salary increments to motivate and retain talent guided by the ministry.

**iv) Market Place Practices**

Tseikuru Sub-County Hospital is committed to ethical and responsible practices in its engagement with the market and citizens.

**a) Responsible Competition and Service Delivery**

**Fair Competition:** We uphold the principles of open tendering for all major procurement activities, ensuring that all interested parties have a fair chance to compete. Our procurement processes are transparent and available for public review as guided by the county government.

**Service Delivery Charter:** Our updated service charter is prominently displayed in the hospital and on our website, outlining our commitment to timely and high-quality service. We have also implemented a cashless payment system to reduce corruption and ensure transparency in all financial transactions

**b) Responsible Supply Chain**

**Supplier Relations:** We maintain good business practices by honouring contracts and respecting payment terms. We have streamlined our payment process to ensure suppliers are paid within the agreed-upon timeframe, fostering trust and enabling them to plan their own operations effectively. We also actively seek out certified suppliers who meet our ethical and quality standards.

**c) Responsible Engagement with Citizens**

**Ethical Outreach:** The hospital ensures its outreach and sensitization practices are ethical and responsible. We provide regular media briefs and updates with accurate and adequate information, avoiding false or exaggerated promises. We hold consultative forums with community leaders and citizens to gather feedback and inform them about our services and new health initiatives. We respect diversity in all our communication and services.

**d) Awareness Creation and Product Stewardship**

**Citizen Rights:** As a public service institution, we are the guardians of citizen rights and interests, particularly in a rural context. We provide clear and adequate information about our services and patients' rights, including their right to privacy and data protection. We have a robust dispute resolution mechanism to address any patient grievances and ensure timely redress. Our staff is trained to provide clear information on all our services, including SHA, NSSF, and other government-supported schemes, ensuring citizens are well-informed of their rights and benefits.

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

Tseikuru Sub-County Hospital's CSR activities are aligned with our mandate to improve the health and well-being of the community. We focus on initiatives that have a direct, positive impact on our local population.

**Key Community Engagements**

**Free Medical Clinics:** We regularly hold free medical clinics in the surrounding rural areas to provide basic check-ups, medication, and health education to communities that have limited access to healthcare. This has been a huge success, reaching thousands of community members during the reporting period.

**Sanitation and Health Education:** Our staff has been actively involved in community sensitization and civic education programs on sanitation, hygiene, and disease prevention, particularly focusing on waterborne diseases prevalent in the area.

**Blood Donation Drives:** We organize and host regular blood donation drives within the hospital and in partnership with local schools and churches to ensure a steady supply of blood for emergencies and medical procedures.

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

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

### **Principal activities**

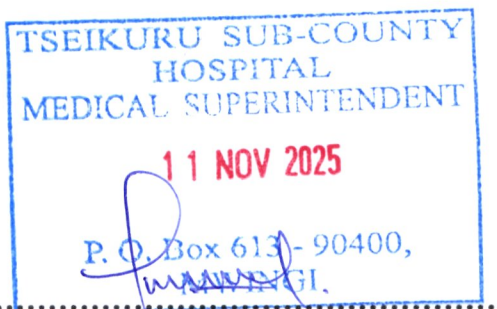
The principal activities of the hospital are providing quality medical healthcare services to the patients, Patient support and administration.

### **Results**

The results of the hospital for the year ended June 30 2025 are set out on pages one (1) to six (6)

### **Auditors**

The Auditor General is responsible for the statutory audit of Tseikuru Sub County Hospital financial statements in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.



**Name : Dr. Isaac Musili Edward**  
**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 the hospital, which give a true and fair view of the state of affairs of the hospital at the end of the financial year 2024/2025 and the operating results of the facility for the year. The Board of Management is also required to ensure Tseikuru Sub County Hospital keeps proper accounting records, which disclose with reasonable accuracy the financial position of the hospital. The council members are also responsible for safeguarding the assets of the Tseikuru Hospital.

The Board of Management is responsible for the preparation and presentation of the hospital's financial statements, which give a true and fair view of the state of affairs of the hospital for and as at the end of the financial year ended on June 30, 2025. This responsibility includes:

- (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period,
- (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the hospital,
- (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud,
- (iv) safeguarding the assets of the hospital;
- (v) selecting and applying appropriate accounting policies, and
- (vi) making accounting estimates that are reasonable in the circumstances.

The Board of Management accepts responsibility for the hospital's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and The Board members are of the opinion that the hospital's financial statements give a true and fair view of the state of hospital's transactions during the financial year ended June 30, 2025, and of the hospital's financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the hospital, which have been relied upon in the preparation of the hospital's financial statements as well as the adequacy of the systems of internal financial control.

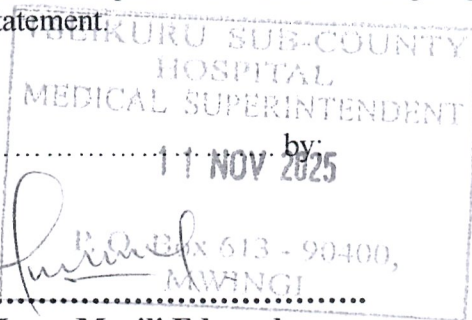
Nothing has come to the attention of management to indicate that the hospital will not remain a going concern for at least the next twelve months from the date of this statement.

### Approval of the financial statements

The Hospital's financial statements were by signed on.....

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

.....  
**Name: Dr. Isaac Musili Edward**  
**Accounting Officer**  
**Tseikuru Sub-County Hospital**



**REPORT OF THE AUDITOR-GENERAL ON TSEIKURU SUB-COUNTY HOSPITAL  
FOR THE YEAR ENDED 30 JUNE, 2025 - COUNTY GOVERNMENT OF KITUI**

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**PREAMBLE**

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

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

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

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

**REPORT ON THE FINANCIAL STATEMENTS**

**Qualified Opinion**

I have audited the accompanying financial statements of Tseikuru Sub-County Hospital – County Government of Kitui set out on pages 1 to 34, which comprise of the statement

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

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

### **Basis for Qualified Opinion**

#### **1. Non-Disclosure of Property, Plant and Equipment**

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

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

#### **2. Uncollected Revenue from Social Health Insurance Fund**

The statement of financial performance and as disclosed in Note 8 to the financial statements reflect rendering of services-medical service income of Kshs.11,010,988. Included in the amount is Kshs.4,089,220 in respect to outstanding revenue claim from Social Health Insurance Fund (SHIF).

In the circumstances, the completeness and recoverability of the claims totalling Kshs.4,089,220 could not be confirmed.

#### **3. Long Outstanding Receivables from Exchange Transactions**

The statement of financial position and as disclosed in Note 16 to the financial statements reflect receivables from exchange transactions balance of Kshs.4,546,891. Included in the balance are receivables totalling Kshs.457,671 which have been outstanding for more than one year. The Hospital Management did not provide measures put in place to recover the long outstanding receivables.

In the circumstances, the accuracy and recoverability of receivables from exchange transactions balance of Kshs.457,671 could not be confirmed.

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

## **Emphasis of Matter**

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

The statement of financial position and as disclosed in Note 19 to the financial statements reflect trade and other payables balance of Kshs.2,004,853. Included in the balance are payables amounting to Kshs.414,850 which have been outstanding for more than one (1) year. Although Management indicated that the payables had been outstanding for long due to financial constraints, no measures have been put in place to clear the payables.

Failure to settle bills during the year to which they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge.

### **2.0 Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.20,662,588 and Kshs.17,445,002 respectively resulting to under-funding of Kshs.3,217,586 or approximately 16% of the budget.

The underfunding affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of these matters.

## **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 effect of the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

## **Other Information**

The Management is responsible for the Other Information set out on pages iii to xix which comprise of Key Hospital Information and Management, The Board of Management, Key Management Team, Chairman's Statement, Report of the Medical Superintendent, Statement of Performance Against predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Board of Management and Statement of Board of Management's

Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

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

### Conclusion

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

### Basis for Conclusion

#### 1. Deficiencies in Implementation of Universal Health Coverage (UHC)

Review of the Hospital's records and interviews on verification of services offered, equipment used and medical specialists in the Hospital as at the time of audit in September, 2025 revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits by eight-four (84) or approximately 83 % of the authorized establishment.

Staff Requirements	Level 4 Standard	Number in Hospital	Variance	Percentage %
Medical Officers	16	2	14	88
Anesthesiologists	2	0	2	100
General Surgeons	2	0	2	100
Gynecologists	2	0	2	100
Pediatrics	2	0	2	100
Radiologists	2	0	2	100
Kenya Registered Community Health Nurses	75	15	60	80
<b>Total</b>	<b>101</b>	<b>17</b>	<b>84</b>	<b>83</b>

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

<b>Service</b>	<b>Level 4 Hospital Standard</b>	<b>Actuals in the Hospital</b>	<b>Variance</b>	<b>Percentage %</b>
Beds	150	72	78	52
Resuscitaire (2 in Labor & 1 in Theatre	2	1	1	50
New Born Unit Incubators	5	3	3	60
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 & General	2	1	1	50

These deficiencies contravene the First Schedule of the 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.

## **2. Irregular Engagement of Casual Workers**

As previously reported, the statement of financial performance and as disclosed in Note 10 to the financial statements reflect employee costs of Kshs.1,890,857 in respect to casuals and contractual workers. Review of documents revealed that Management engaged casual workers for more than three (3) months. This is contrary to Section B.16(1) of the County Public Service Human Resource Manual of May, 2013 which states that (1) Casual workers shall be engaged only on urgent short-term tasks with the approval of the County Public Service Board and they shall not be engaged for more than three months, as stipulated in the Employment Act, (2007).

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

## **3. Un-Utilised Medical Equipment**

As previously reported, the statement of financial position reflects a Nil balance of property, plant and equipment. However, review of the assets listing and physical verification revealed that an ultrasound machine of unknown value which was donated by the United States Agency for international Development (USAID) and delivered in the year 2020 was not in use. Although, Management attributed the non-utilization of the machine to the Hospital not having a radiology department which includes a Sonographer

and a radiology block, no measures had been put in place to ensure the machine is put into use.

In the circumstances, value for money in respect of the donated assets could not be confirmed.

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 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 Hospital Management Board**

As previously reported, review of records revealed that the Hospital operated for eleven (11) months during the year under review without a Board of Management that is supposed to direct the Hospital in achieving its strategic objectives. In addition, the financial statements were not signed by the Chairman of Board of Management.

In the circumstances, the Hospital may not be able to achieve its strategic objectives and goals.

#### **2. Expired Medical Supplies**

The statement of financial position reflects inventories balance of Kshs.1,529,995 as disclosed in Note 17 to the financial statements. Review of stores records on pharmaceuticals and non-pharmaceuticals supplies revealed that drugs valued at Kshs.1,033,648 had expired.

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

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk Management and overall governance

were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **Responsibilities of the Management and those Charged with Governance**

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

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

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

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

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

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

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

to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

**Nairobi**

**14 November, 2025**

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

Description	Note	2024/2025	2023/2024
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from the County Government	6	7,551,600	7,148,400
In- kind contributions from the County Government	7	46,296,469	57,266,553
		<b>53,848,069</b>	<b>64,414,953</b>
<b>Revenue from exchange transactions</b>			
Rendering of services- Medical Service Income	8	11,010,988	7,622,065
<b>Revenue from exchange transactions</b>		<b>11,010,988</b>	<b>7,622,065</b>
<b>Total revenue</b>		<b>64,859,057</b>	<b>72,037,018</b>
<b>Expenses</b>			
Medical/Clinical costs	9	3,145,640	2,226,970
Employee costs	10	1,890,857	1,682,201
Repairs and maintenance	11	667,750	497,700
General expenses	12	2,534,244	2,810,507
Refunds to the County Government	13	9,249,109	4,862,952
In- kind contributions	14	46,296,469	57,266,553
<b>Total expenses</b>		<b>63,784,069</b>	<b>69,346,883</b>
<b>Net Surplus / (Deficit) for the year</b>		<b>1,074,988</b>	<b>2,690,135</b>

The notes set out on pages 7 to 32 form an integral part of the Annual Financial Statements

The Hospital's financial statements were by signed on..... by:

.....

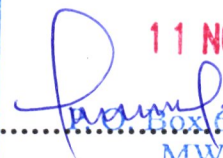
**Chairman**  
**Board of Management**



**CPA Teddy Kyalo**  
**Head of Finance**  
**ICPAK No: 33848**

**TSEIKURU SUB-COUNTY  
HOSPITAL  
MEDICAL SUPERINTENDENT**

**11 NOV 2025**



**Box 613 - 90400,  
MWINGI**

**Dr. Isaac Musili Edward**  
**Medical Superintendent**  
**Tseikuru Hospital**

**15. Statement of Financial Position As At 30 June 2025**

Description	Note	2024/2025	2023/2024
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	15	159,591	1,814
Receivables from exchange transactions	16	4,546,891	3,429,305
Inventories	17	1,529,995	896,970
<b>Total Current Assets</b>		<b>6,236,477</b>	<b>4,328,089</b>
<b>Non-current assets</b>			
Property, plant, and equipment	18	-	-
<b>Total Non-current Assets</b>			
<b>Total assets (A)</b>		<b>6,236,477</b>	<b>4,328,089</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	19	2,004,853	1,171,453
<b>Total Current Liabilities</b>		<b>2,004,853</b>	<b>1,171,453</b>
<b>Non-current liabilities</b>			
<b>Total Non-current liabilities</b>			
<b>Total Liabilities (B)</b>		<b>2,004,853</b>	<b>1,171,453</b>
<b>Net assets (A-B)</b>		<b>4,231,624</b>	<b>3,156,636</b>
<b>Represented by:</b>			
Revaluation reserve		-	-
Accumulated surplus/Deficit		4,231,624	3,156,636
Capital Fund			
<b>Net Assets</b>		<b>4,231,624</b>	<b>3,156,636</b>

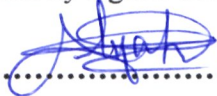
The notes set out on pages 7 to 32 form an integral part of the Annual Financial Statements

The Hospital's financial statements were by signed on.....

.....

**Chairman**

**Board of Management**



**CPA Teddy Kyalo**

**Head of Finance**

**ICPAK No: 33848**

TSEIKURU SUB-COUNTY HOSPITAL  
 MEDICAL SUPERINTENDENT  
 1.1 NOV 2025  
 P.O. BOX 643 90400,  
 MWINGI

**Dr. Isaac Musili Edward**

**Medical Superintendent**

**Tseikuru Hospital**

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

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
<b>At July 1, 2023</b>		<b>466,501</b>	<b>-</b>	<b>466,501</b>
Revaluation gain				-
Surplus/(deficit) for the year		2,690,135		<b>2,690,135</b>
Capital/Development grants				-
<b>At June 30, 2024</b>	<b>-</b>	<b>3,156,636</b>	<b>-</b>	<b>3,156,636</b>
				-
<b>At July 1, 2024</b>	<b>-</b>	<b>3,156,636</b>	<b>-</b>	<b>3,156,636</b>
Revaluation gain				-
Surplus/(deficit) for the year		1,074,988		<b>1,074,988</b>
Capital/Development grants				-
<b>At June 30, 2025</b>	<b>-</b>	<b>4,231,624</b>	<b>-</b>	<b>4,231,624</b>

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

Description	Note	2024/2025	2023/2024
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the County Government		7,551,600	7,848,400
Rendering of services- Medical Service Income		9,893,402	4,862,952
<b>Total Receipts</b>		<b>17,445,002</b>	<b>12,711,352</b>
<b>Payments</b>			
Medical/Clinical costs		3,115,640	2,460,220
Employee costs		1,759,257	1,778,201
Repairs and maintenance		667,750	581,205
General expenses		2,495,469	3,097,812
Refunds to the County Government		9,249,109	4,858,644
<b>Total Payments</b>		<b>17,287,225</b>	<b>12,776,082</b>
<b>Net cash flows from operating activities</b>	20	<b>157,777</b>	<b>(64,730)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment & intangible assets			
<b>Net cash flows used in investing activities</b>			
<b>Cash flows from financing activities</b>			
<b>Net cash flows used in financing activities</b>			
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>157,777</b>	<b>(64,730)</b>
Cash and cash equivalents as at July 1, 2024	15	1,814	66,544
<b>Cash and cash equivalents as at June 30, 2025</b>	15	<b>159,591</b>	<b>1,814</b>

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget carryovers from the previous year	-		-		-	
<b>Receipts</b>						
Transfers from the County Government	9,651,600		9,651,600	7,551,600	2,100,000	78%
Rendering of services- Medical Service Income	11,010,988		11,010,988	9,893,402	1,117,586	90%
<b>Total Receipts</b>	<b>20,662,588</b>	-	<b>20,662,588</b>	<b>17,445,002</b>	<b>3,217,586</b>	<b>84%</b>
<b>Payments</b>						
Medical/Clinical costs	3,525,000		3,525,000	3,115,640	409,360	88%
Employee costs	2,210,000		2,210,000	1,759,257	450,743	80%
Repairs and maintenance	800,000		800,000	667,750	132,250	83%
General expenses	3,116,600		3,116,600	2,495,469	621,132	80%
Refunds	11,010,988		11,010,988	9,249,109	1,761,879	84%
<b>Total Operational Expenditure paid</b>	<b>20,662,588</b>	-	<b>20,662,588</b>	<b>17,287,225</b>	<b>3,375,363</b>	<b>84%</b>
<b>Capital Expenditure paid</b>	-	-	-	-	-	
<b>Surplus</b>	-	-	-	<b>157,777</b>	<b>(157,777)</b>	

**Budget notes**

1. The receipts difference between the final budget and actual on comparable basis (**Ksh, 3,217,586**) was funds not disbursed to the Hospital by the County Government and receivables from insurances for medical services rendered in the financial year 2024/2025.
2. The payment was done with the actual receipts from both the equitable share and rendering services resulting to underutilization of the targets by around 14%.

**Budget Reconciliation**

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	157,777
1	Add: Cash and cash equivalents as at July 1, 2024	1,814
	Closing Cash and Cash Equivalent as per the statement of Cash flows	<b>159,591</b>

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

### **1. General Information**

Tseikuru Sub-County Hospital was established by the Ministry of Health and derives its authority and accountability from The Kenya Medical Practitioners and Dentists Council. The entity is wholly owned by the Government of Kenya and is domiciled in Mwingi North Sub County in Kitui County. 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 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. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the hospital. The financial statements have been prepared in accordance with the PFM Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

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

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

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

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

<b>Standard</b>	<b>Effective date and impact:</b>
IPSAS 43	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Hospital.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>Tseikuru Sub-County Hospital did not adopt any new or amended standards in the financial year 2024/2025.</i></p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><i>Tseikuru Sub-County Hospital did not adopt any new or amended standards in the financial year 2024/2025.</i></p>
IPSAS 45- Property	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets,</p>

Standard	Effective date and impact:
Plant and Equipment	<p>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.</p> <p><i>Tseikuru Sub-County Hospital did not adopt any new or amended standards in the financial year 2024/2025.</i></p>
IPSAS 46 Measurement	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ol> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p><i>Tseikuru Sub-County Hospital did not adopt any new or amended standards in the financial year 2024/2025.</i></p>
IPSAS 47- Revenue	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an hospital shall apply to report useful information to</p>

Standard	Effective date and impact:
	<p>users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p><i>Tseikuru Sub-County Hospital did not adopt any new or amended standards in the financial year 2024/2025.</i></p>
<p>IPSAS 48- Transfer Expenses</p>	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></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>Tseikuru Sub-County Hospital did not adopt any new or amended standards in the financial year 2024/2025.</i></p>
<p>IPSAS 49- Retirement Benefit Plans</p>	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></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>Tseikuru Sub-County Hospital did not adopt any new or amended standards in the financial year 2024/2025.</i></p>

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

The Hospital did not early – adopt any new or amended standards in the financial year 2024/2025.

**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 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 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 hospital.

*Notes to the Financial Statements (Continued)*

**b. Budget information**

The original budget for 2024/2025 was approved by the ministry of health and sanitation at the start of the 2023/2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the hospital upon receiving the respective approvals in order to conclude the final budget. Accordingly, the hospital recorded additional appropriations. The hospital's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

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 cash flows.

**c. Taxes**

**Sales tax/ Value Added Tax**

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

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

*Notes to the Financial Statements (Continued)*

**d. Property, plant and equipment**

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

**Financial assets**

**Classification of financial assets**

The 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 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 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 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.

### **Financial liabilities**

#### **Classification**

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

#### **e. 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 Hospital.

#### **f. Provisions**

Provisions are recognized when the 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 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.

**g. Social Benefits**

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The 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 hospital will incur in fulfilling the present obligations represented by the liability.

**h. Contingent liabilities**

The 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.

**i. Contingent assets**

The 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 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.

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

The 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)*

**k. Employee benefits**

**Retirement benefit plans**

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

**i. Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. At each reporting date, foreign currency monetary items are translated using the closing rate. Non-monetary items measured in historical cost are translated using the exchange rate at the date of the transaction, and those measured at fair value are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising from the settlement of monetary items or translation of monetary/non-monetary items at rates different from those at which they were initially reported are recognized in surplus or deficit in the period.

**m. 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)*

**n. Related parties**

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

**o. 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.

**p. Comparative figures**

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

**q. Subsequent events**

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

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

The preparation of the 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.

*Notes to the Financial Statements (Continued)*

**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 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 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 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.

**Provisions**

Provisions were not raised and determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

**Notes to Financial Statements Continued**

**6. Transfers from the County Government**

Description	2024/2025	2023/2024
	KShs	KShs
<b>Unconditional grants</b>		
Operational grant	7,551,600	7,148,400
<b>Total government grants and subsidies</b>	<b>7,551,600</b>	<b>7,148,400</b>

**6 b Transfers from The County Government**

Name of the Hospital sending the grant	Amount recognized to Statement of financial performance*	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	Comparative Period
	KShs	KShs	KShs	KShs	KShs
Kitui County Government	7,551,600			7,551,600	7,148,400
<b>Total</b>	<b>7,551,600</b>	<b>-</b>	<b>-</b>	<b>7,551,600</b>	<b>7,148,400</b>

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

Description	2024/2025	2023/2024
	KShs	KShs
Salaries and wages (County Government Staff)	42,868,208	48,345,589
Salaries and wages (Casual Wages)	136,500	-
Medical supplies-Drawings Rights (KEMSA)	2,468,034	3,537,016
Pharmaceuticals and Non-Pharmaceutical Supplies (MEDS)	823,726	1,713,849
<b>Total grants in kind</b>	<b>46,296,469</b>	<b>53,596,453</b>

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

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

Description	2024/2025	2023/2024
	Kshs	Kshs
Pharmaceuticals	262,770	264,335
Inpatient	4,954,000	1,354,387
Laboratory	140,005	171,808
Registration and Files	116,650	151,385
Outpatient	-	301,000
Physiotherapy	10,700	3,260
Deliveries	2,570,000	2,758,000
Antenatal Services	-	570,200
Capitation Services	2,956,863	2,047,690
<b>Total revenue from the rendering of services</b>	<b>11,010,988</b>	<b>7,622,065</b>

**9. Medical/ Clinical Costs**

Description	2024/2025	2023/2024
	Kshs	Kshs
Laboratory chemicals and reagents	49,210	60,000
Food and Ration	1,607,620	1,669,770
Medical Records	693,360	144,500
Sanitary and cleansing Materials	510,200	352,700
Non-Pharmaceuticals	256,600	-
Linen	28,650	-
<b>Total medical/ clinical costs</b>	<b>3,145,640</b>	<b>2,226,970</b>

**10. Employee Costs**

Description	2024/2025	2023/2024
	Kshs	Kshs
Salaries, wages, and allowances	1,601,027	1,434,951
Contributions to pension schemes	178,280	177,600
Staff medical expenses and Insurance cover	39,650	69,650
Locum	71,900	-
<b>Employee costs</b>	<b>1,890,857</b>	<b>1,682,201</b>

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

**11. Repairs And Maintenance**

Description	2024/2025	2023/2024
	Kshs	Kshs
Property- Buildings	155,400	296,000
Motor Vehicle expenses	224,150	201,700
Office Equipment	74,800	-
Plant and Machinery	213,400	-
<b>Total repairs and maintenance</b>	<b>667,750</b>	<b>497,700</b>

**12. General Expenses**

Description	2024/2025	2023/2024
	Kshs	Kshs
Bank charges	8,384	8,577
Catering	93,500	-
Electricity expenses	60,000	167,750
Fuel and Lubricants	328,000	797,000
Travel and accommodation allowance	846,620	583,180
Electrical Expenses	50,000	
Printing and stationery	742,440	688,800
Water and sewerage costs	175,300	150,200
Other Fuels	110,000	350,000
Telephone and mobile phone services	120,000	65,000
<b>Total General Expenses</b>	<b>2,534,244</b>	<b>2,810,507</b>

**13. Refunds to the County Government**

Description	2024/2025	2023/2024
	KShs	KShs
Transfer to the County Government	9,249,109	4,862,952
<b>Total transfers to County Government</b>	<b>9,249,109</b>	<b>4,862,952</b>

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

**14. In-kind contributions from The County Government**

Description	2024/2025	2023/2024
	KShs	KShs
Salaries and wages (County Government Staff)	42,868,208	48,345,589
Salaries and wages (Casual Wages)	136,500	-
Medical supplies-Drawings Rights (KEMSA)	2,468,034	3,537,016
Pharmaceuticals and Non-Pharmaceutical Supplies (MEDS)	823,726	1,713,849
<b>Total grants in kind</b>	<b>46,296,469</b>	<b>53,596,453</b>

**15. Cash And Cash Equivalents**

Description	2024/2025	2023/2024
	KShs	KShs
Current accounts	159,591	1,814
<b>Total cash and cash equivalents</b>	<b>159,591</b>	<b>1,814</b>

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

Description		2024/2025	2023/2024
Financial institution	Account number	KShs	KShs
<b>a) Current account</b>			
Kenya Commercial bank	1156757614	98	1,737
Kenya Commercial bank	1156757428	159,493	77
<b>Total</b>		<b>159,591</b>	<b>1,814</b>

**16. Receivables From Exchange Transactions**

Description	2024/2025	2023/2024
	KShs	KShs
Medical services receivables	4,546,891	3,429,305
<b>Total receivables</b>	<b>4,546,891</b>	<b>3,429,305</b>

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

**Analysis of Receivables From Exchange Transactions**

Description	2024/2025		2023/2024	
	Kshs		Kshs	
	2024/2025	% of the total	2023/2024	% of the total
Less than 1 year	4,089,220	90%	3,429,305	100%
Between 1- 2 years	457,671	10%	-	
<b>Total (a+b)</b>	<b>4,546,891</b>	<b>100%</b>	<b>3,429,305</b>	<b>100%</b>

**17. Inventories**

Description	2024/2025	2023/2024
	KShs	KShs
Pharmaceutical supplies	1,361,332	378,997
Non-Pharmaceutical supplies	168,663	517,973
<b>Total</b>	<b>1,529,995</b>	<b>896,970</b>

**Detailed disclosure on inventories**

	2024/2025	2023/2024
Opening balance	896,970	-
Additional Inventory in the year	3,291,760	5,250,864
Inventory expensed in the year	2,658,735	4,353,894
Closing balance	<b>1,529,995</b>	<b>896,970</b>

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*Notes to the Financial Statements (Continued)*

**18. Property, Plant and Equipment**

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Other Assets (speci)	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh		Ksh	Ksh
<b>Cost</b>									
At 1 July 2023 (previous year)									
Additions									
Disposals									
Transfers/adjustments									
Revaluation Adjustments									
<b>At 30<sup>th</sup> Jun 2024</b>									
At 1 July 2024 (current year)									
Additions									
Disposals									
Transfer/adjustments									
Revaluation Adjustments									
<b>At 30<sup>th</sup> Jun 2025</b>									
<b>Depreciation and impairment</b>									
At 1 July 2023 (previous year)									
Depreciation for the year									

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Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Other Assets (speci)	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh		Ksh	Ksh
Disposals									
Impairment									
<b>At 30 June 2024</b>									
At July 2024 (current year)									
Depreciation									
Disposals									
Impairment									
Transfer/adjustment									
<b>At 30<sup>th</sup> June 2025</b>									
<b>Net book values</b>									
At 30 <sup>th</sup> Jun 2024 (previous)									
At 30 <sup>th</sup> Jun 2025 (current)									

*The hospital has items of Property, Plant and Equipment in its list of assets. However, the items have not been valued resulting to nil balances in the PPE schedule. We are looking forward to perform a valuation of all the assets.*

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

**19. Trade and other Payables**

Description	2024/2025		2023/2024	
	KShs		KShs	
Trade payables	1,695,553		1,006,453	
Employee dues	243,300		141,000	
Third-party payments ( <i>SHIF &amp; NSSF</i> )	66,000		24,000	
<b>Total trade and other payables</b>	<b>2,004,853</b>		<b>1,171,453</b>	
<b>Ageing analysis:</b>	<b>2024/2025</b>	<b>% of the Total</b>	<b>2023/2024</b>	<b>% of the total</b>
Under one year	1,590,003	79%	779,603	67%
1-2 years	23,000	1%	391,850	33%
2-3 years	391,850	20%	-	-
<b>Total</b>	<b>2,004,853</b>	<b>100%</b>	<b>1,171,453</b>	<b>100%</b>

**20. Cash Generated from Operations**

Description	2024/2025		2023/2024	
	KShs		KShs	
Surplus for the year before tax	1,074,988		2,690,135	
<b>Adjusted for:</b>				
Depreciation				
Non-cash grants received				
<b>Working Capital adjustments</b>				
Increase in inventory	(633,025)		(896,970)	
Increase in receivables	(1,117,586)		(2,054,805)	
Increase in payables	833,400		196,910	
<b>Net cash flow from operating activities</b>	<b>157,777</b>		<b>(64,730)</b>	

**21. Financial Risk Management**

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

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

**(i) Credit risk**

The 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 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
<b>At 30 June 2024 (previous year)</b>				
Receivables from exchange transactions	3,429,305	3,429,305	-	
Receivables from –non-exchange transactions				
Bank balances	1,814	1,814	-	
<b>Total</b>	<b>3,431,119</b>	<b>3,431,119</b>	<b>-</b>	
<b>At 30 June 2025 (current year)</b>				
Receivables from exchange transactions	4,546,891	4,089,220	457,671	
Receivables from non-exchange transactions	-			
Bank balances	159,591	159,591		
<b>Total</b>	<b>4,706,482</b>	<b>4,248,811</b>	<b>457,671</b>	

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 hospital has significant concentration of credit risk on amounts due from xxxx. The board of management sets the hospital's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**(ii) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the hospital's board of management who have built an appropriate liquidity risk management framework for the management of the hospital's short, medium and long-term funding and liquidity management

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

requirements. The 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.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2024</b>				
Trade payables	475,603	304,000	391,850	<b>1,171,453</b>
Current portion of borrowings				-
Provisions				-
Deferred income				-
Employee benefit obligation				-
<b>Total</b>	<b>475,603</b>	<b>304,000</b>	<b>391,850</b>	<b>1,171,453</b>
<b>At 30 June 2025</b>				
Trade payables	364,696	860,343	470,514	1,695,553
Current portion of borrowings				-
Provisions				-
Deferred income				-
Employee benefit obligation	189,000	120,300		309,300
<b>Total</b>	<b>553,696</b>	<b>980,643</b>	<b>470,514</b>	<b>2,004,853</b>

**(iii) Market risk**

The hospital has put in place an internal audit function to assist it in assessing the risk faced by the 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 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 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 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 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
<b>At 30 June 2025</b>			
Financial assets (investments, cash, debtors)			
Liabilities			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)			

The 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
<b>At 30 June 2025</b>			
Financial assets (investments, cash, debtors)			
Liabilities			
Trade and other payables			
Borrowings			
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)**

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

**b) Interest rate risk**

Interest rate risk is the risk that the 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 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.

**iv) Capital Risk Management**

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

Description	2024/2025	2023/2024
	Kshs	Kshs
Revaluation reserve		
Retained earnings		
Capital reserve		
<b>Total funds</b>		

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Total borrowings		
Less: cash and bank balances		
Net debt/ (excess cash and cash equivalents)		
<b>Gearing</b>		

**22. Related Party Balances**

**Nature of related party relationships**

Entities and other parties related to the 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.

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

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

Description	2024/2025	2025/2024
	Kshs	Kshs
<b>Transactions with related parties</b>		
<b>a) Services offered to related parties</b>		
Services to NHIF AND SHA	4,546,891	3,429,305
<b>Total</b>	<b>4,546,891</b>	<b>3,429,305</b>
<b>b) Grants from the Government</b>		
Grants from County Government		
Grants from the National Government Entities		
Donations in kind		
<b>Total</b>		
<b>c) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for employees		

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Description	2024/2025	2023/2024
	Kshs	Kshs
Payments for goods and services		
<b>Total</b>		
<b>d) Key management compensation</b>		
Directors' emoluments		
Compensation to the medical Sup		
Compensation to key management		
<b>Total</b>	<b>4,546,891</b>	<b>3,429,305</b>

**23. Events after the Reporting Period**

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

**24. Ultimate and Holding Hospital**

The Hospital is a semi-autonomous county government agency under the Ministry of Health. Its ultimate parent is the County Government of Kitui.

**25. Currency**

The financial statements are presented in Kenyan Shillings (Kshs), and all values are rounded 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 provided the time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Non-Disclosure of Property, Plant and Equipment.	The management acknowledges the auditors observation for non-disclosure of PPE. We have an updated list of Property, Plant and Equipment that has not been valued as we awaits the valuation of all the county assets by the County Government of Kitui.	Not Resolved	June 2026
2	Deficiencies in the implementation of universal Health Coverage	The management has noted the gaps in the implementation of universal health coverage. The County Government of Kitui is committed to progressively filling the Human Resources for health gaps to achieve the goals of Universal Health Coverage.	Not Resolved	June 2026
3	Unutilized Medical Equipment	The management has noted the audit observation. The management is awaiting the operationalization of the radiology where the ultra sound machine be installed and a sonographer engaged for conducting clinical procedures.	Not Resolved	June 2026
4	Long Outstanding Trade and Other Payables.	The management acknowledges the long outstanding bills that has is not paid. We are tracking the proper documentation for payment processing of all the long outstanding bills promptly.	Not Resolved	June 2026

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5	Lack of Hospital Management Board	The hospital management has noted the audit observations for the lack of hospital management board. The management is following up with the county government of Kitui to ensure the hospital board is constituted to perform its role.	Not Resolved	June 2026
6	Expiry of Medical Supplies	The management acknowledges the observation. Expired medical supplies are recorded in F.O 58 forms and quarantined away from other commodities. However, the County Ministry of Health and Sanitation has constituted a disposal committee for valuation and disposal of the expired supplies.	Not Resolved	June 2026

TSEIKURU SUB-COUNTY  
HOSPITAL  
MEDICAL SUPERINTENDENT  
11 NOV 2025  
P. O. Box 013 - 90400,  
MWINGI

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**Dr. Isaac Musili Edward**  
Accounting Officer