

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

MUTITU SUB COUNTY HOSPITAL

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

**COUNTY GOVERNMENT OF
KITUI**



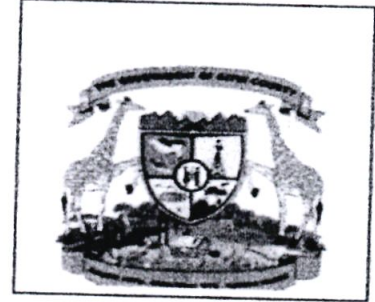
PAPERS LAID	
DATE	6/3/2025
TABLED BY	Dep. Maj. W. W. W.
COMMITTEE	
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OFFICE OF THE AUDITOR GENERAL
P. O. Box 30254 - COPT - NAIROBI
REGISTRY

10 JAN 2025

RECEIVED

Revised 30th June 2024



MUTITU SUB COUNTY HOSPITAL
(Kitui County Government)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2024

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

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Mutitu Sub County Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2024

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1. Acronyms & Glossary of Terms

CSR	Corporate Social Responsibility
OSHA	Occupational Health & Safety Act
PFMA	Public Financial Management Act
MED SUP	Medical Superintendent
Fiduciary Management	Key management personnel who have financial responsibility in the entity.

2. Key Entity Information and Management

(a) Background information

Mutitu Level Four Hospital is a gazetted health facility by the Ministry of Health, Kenya Master Health Facility Registry number 6660496, and is domiciled in Kitui County under the Health Department. The hospital is located in Mutitu, in Kitui East Sub County. The hospital did not have a board during this financial year.

(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

(c) Key Management

The management is under the following key organs:

- County department of health
- Board of Management
- Accounting Officer/ Medical Superintendent
- Management

(d) Fiduciary Management

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

No.	Designation	Name
1.	Medical Superintendent	Dr. Allan Siganga
2.	Health Administrative officer	Petronilla Mbesa
3.	Head of Finance	CPA. Winnie Mue
4.	Head of Supply Chain Management	Faustine Malusi
5.	Head of Nursing	Fescah Mutio

(e) Fiduciary Oversight Arrangements

- 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.
- Parliamentary committees
- Other oversight committees

Key Entity Information and Management (continued)

(f) Mutitu Level IV Headquarters

P.O. Box 97-90202

Ndooa

Kitui, Kenya

Physical address: 3 km from Mutitu town, near KITWASCO and Kenya Forestry offices at Kitoo village

(g) Mutitu Level IV Contacts

Telephone: (+254)759540916

E-mail: mutitosh@kitui.go.ke

Website: www.kitui.go.ke

(h) Mutitu Level IV Bankers

Kenya Commercial Bank (KCB)

(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 hospital did not have a board during this financial year.

4. Key Management Team

		Details
1.	<p>Dr Allan Siganga</p>  <p>Bachelor of Medicine and Bachelor of Surgery</p>	<p>Medical Superintendent</p>
	<p>Petronilla Mbesa</p> 	<p>Health Administrative Officer</p>
2.	<p>Masters of Business Administration</p>	
	<p>Fescah Mutio</p>  <p>Diploma in Kenya Registered Community Health Nursing</p>	<p>Head of Nursing</p>
3.		

*Mutitu Sub County Hospital (Kitui County Government)
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4.	<p>Faustine Malusi</p>  <p>Bachelor of Commerce</p>	<p>Head of Supply Chain Management</p>
5.	<p>Mutuku Mwangangi</p>  <p>Diploma in Pharmacy</p>	<p>Head of Pharmacy</p>

5. Chairman's Statement

The hospital did not have a board in the financial year. The County Government Ministry of Health is in the process of appointing a new board for the hospital.

.....
Name

Chairman to the Board

6. Report of The Medical Superintendent

Mutitu Sub-County Hospital is a facility that was established by the National Government of Kenya. The hospital is located in Mutitu/Kaliku ward in Kitui East Sub-County. The Hospital has a Catchment population of 15,500 in 2024. The population is mostly made up of people of the Akamba ethnicity. The hospital serves people from the Mutitu market and its environs. The facility acts as a Referral link facility for level 2 and level 3 facilities in Kitui East. The facility refers its patients to Kitui County Referral Hospital.

The climate where the facility is located is semi-arid; it receives roughly 71 cm (28 inches) of rain during the rainy seasons (one long around March and April, and one short, around October, November, and December). The rest of the months experience a hot and dry climate.

The vast majority of the economy within the region is driven by subsistence farming and livestock rearing, even though these activities are extremely challenging endeavours given the sporadic rainfall received in the region.

Christianity is the dominant religion in the region. Roman Catholics make up about 15% of the Sub-county's population. Other Christian denominations include the African Inland Church (AIC), Anglican Church of Kenya (ACK), Presbyterian Church of East Africa (PCEA), Independent Presbyterian Church (IPC), Redeemed Gospel Church and many others.

In the financial year 2023/2024 the hospital generated Ksh. 5,638,275 in revenue. The funds were generated as the patients paid for the services that they received in the facility.

The facility received an equivalent of Ksh 5,075,000 from the Kitui County Government on a Monthly disbursement basis/ Facility improvement funds (FIF)

These funds are used to run the day-to-day activities of the facility and also to pay wages for the contracted workers.

The comprehensive guide on how the funds were utilized is outlined in a later part of this report.

In the Financial Year 2023/2024 the facility management was able to operationalize a 4-bed capacity Inpatient Unit to cater to the general medical patients.

In addition to that the NHIF accreditation process for the facility was initiated and great strides in the terms of progress were made towards accreditation of the facility. NHIF will be very beneficial for our patients to help them access health care at the facility. This will facilitate bringing essential health services closer to the people in line with the Universal Healthcare vision.

Mutitu Sub County Hospital (Kitui County Government)
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The facility hosts several infrastructural blocks within the grounds namely:

- Maternity -Operational
- Theatre Block: Status- Incomplete
- Outpatient Block: Status- Operational
- Radiology Block: Status-Complete-Operational
- CCC Block-Operational
- Mortuary Block-Operational
- In patient Ward-Operational but there is need to construct a modern ward

In the financial year 2023/2024 the facility has managed to operationalise the Radiology services in the facility including Radiographs and Ultrasounds services. The management also managed to plant some drought resistant Mwarobaini trees along the fence of the facility and thus contributed in environmental sustainability efforts within the county.

Among the challenges that the facility faced in the financial year that ended June 2024 include but not limited to: Insufficient funding, delayed reimbursement of funds (FIF) to the facility, severe staff shortage, Lack of power backup, infrastructure challenges including: -Lack of well-equipped laboratory, Store (Pharmaceutical, Non-Pharmaceutical, General), Kitchen, Inpatient/General ward, Incomplete Theatre block, Staff quarters and a Powerhouse.

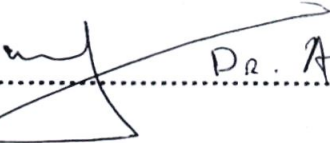
The future outlook for the facility includes liaising closely with the Kitui County Government and the stakeholders to propel the facility forward so that it can function at a level 4 capacity and thus be able to serve the people of Kitui East and Kitui at large more efficiently. The Medical Superintendent and the local administration of the hospital shall work closely with the facility board of management, the Ministry of Health and Sanitation leadership, the County Government leadership, and all the stakeholders to achieve this objective.

Among but not limited to the pertinent issues that we shall work on closely in the future include:

- Adequate staffing according to the staffing norms agreed upon by the Kenya quality model for health.
- Completion of the stalled operating theatre.
- Levelling and grading of the hospital grounds
- Planting of trees (50 seedlings by the end of the year) and fencing the facility.
- Proposal for a model laboratory and General ward/ inpatient ward.
- Completion of Nzamba Kitonga Memorial Hospital.

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- Proposal for a Hospital kitchen
- Proposal for a Hospital generator to be serviced.
- To conduct two Maternity Open days and two medical and cancer screening camps
- Fencing the facility's land to secure it from land grabbing.


.....
Name

Secretary to the Board

7. Statement of Performance Against Predetermined Objectives

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

Mutitu Sub-County Hospital has 2 strategic pillars/ themes/issues and objectives within the current Strategic Plan for FY 2023- FY 2024. These strategic pillars/ themes/ issues are as follows;

- Pillar /theme/issue 1: Good health services
- Pillar/theme/issue 2: Patient Satisfaction

Mutitu Sub-County Hospital develops its annual work plans based on the above 2 pillars/Themes/Issues. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The Mutitu Sub-County Hospital achieved its performance targets set for the FY 2023/2024 period for its strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Provide Reliable and accessible medical services to all citizen	To improve access to healthcare services for the community.	Reduce the waiting time for medical consultation by 15%.	Regular monitoring and evaluation of consultation time.	Waiting time for medical consultation was reduced by 20%, surpassing the goal.
To provide services to all patients Satisfactory.	To enhance the quality of healthcare services and patient satisfaction	Achieve a patient satisfaction score of 90%.	Regular monitoring and evaluation of medical processes	Patient satisfaction score reached 92%, exceeding the target

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In addition to the above, Mutitu Sub County Hospital has ensured that achievements are tied to performance contracts for our staff. Each staff member is evaluated based on their contributions towards achieving the strategic objectives outlined in our annual work plans.

Furthermore, our County Government regularly assesses our performance against our annual work plan every quarter. This ensures that we stay on track.

In conclusion, Mutitu Sub County Hospital is proud to report that we have successfully met our performance targets for the FY 2023/2024 period for all our strategic pillars and objectives. We remain committed to providing excellent healthcare services to our community and will continue to work diligently to achieve our goals in the future.

8. Corporate Governance Statement

Mutitu Sub County Hospital management committee was established by the Kitui County Health Facilities Management Committee Act, 2014, and was gazetted on 21st June 2021 under gazette notice number 2807

Membership

The total membership of the committee is Nine (9) members nominated by the County Executive Committee Member for Health and Sanitation and forwarded to the Governor, Kitui County for approval. During this financial year, the hospital did not have a board.

Succession

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

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

Funds of the Committee

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

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

Meetings of the Committee

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

Functions of the Hospital Management Committee

The committee shall –

- (a) Supervise and control the administration of the funds allocated to Mutitu sub county hospital
- (b) The hospital management committee shall through minutes request for the authority to open and operate a bank account from the County Executive Committee Member
- (c) Prepare specific hospital work plans based on the estimated expenditure and drugs stocking levels based on usage.
- (d) Cause to be kept basic books of accounts

- (e) Cause to be kept records of accounts of income, expenditure, assets and liabilities of the hospital.
- (f) Prepare and submit to the Chief officer in the department of health and sanitation certified periodical financial and performance reports as prescribed
- (g) Cause to be kept a permanent record of all its deliberations
- (h) Ensure planning that is consistent with the National and County Government policies, laws and regulations.
- (i) Review and approve all hospital plans including but not limited to development plans, service delivery plans and activities plans
- (j) Provide oversight to the hospital
- (k) Approve and authorise hospital budgets and expenditure.

Core responsibilities of the Mutitu sub county hospital Management Committee

The responsibilities of the committee are outlined as follows: -

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

Vacation of office and remuneration of the committee members.

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

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

Remuneration: -

The member's remuneration shall be determined by the Salaries and Remuneration Commission.

Relationship between the Hospital Management team and Hospital Management Committee

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

9. Management Discussion and Analysis

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

Clinical/operational performance

Mutitu Sub County Hospital being geographically centrally located within Mutitu town, receives patients from the neighbouring dispensaries and health centres.

The Maternity ward has a 5-bed capacity while the inpatient rooms are 15 bed capacity.

The facility also has a 1-bed for special care and observation.

In the year ended June 2024, the target population for the year was 15,500. Over 20,000 patients were seen at the outpatient who surpassed the target population for the year.

10. Environmental And Sustainability Reporting

Mutitu sub county hospital exists to transform lives. It's what guides us to deliver our strategy, putting the client/Citizen first, delivering health services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

i) Sustainability strategy and profile

The facility management has been working closely with all the County and local governance to achieve the facility's objectives for the year.

ii) Environmental performance

The Mutitu Sub County hospital is committed towards environmental sustainability.

The facility management seeks to unify all the key stakeholders: employees, management, partners, shareholders, patients and the community at large towards these efforts. The Mutitu hospital environmental policy is currently in the process of being developed in close partnership with these stake holders.

Part of the efforts that the facility is putting towards environmental sustainability include planting of trees and greenery within the hospital compound, maintaining a clean and neat hospital compound and prudent use of water among others. We also have put in place water harvesting projects during the rainy season using the gutter system to harvest water into storage tanks.

The facilities waste disposal system follows the Kenya national guidelines for safe management of health care waste which includes the safe practices for management of medical waste.

The facility however has challenges with implementing this policy fully as it lacks an incinerator which is important for the disposal of sharp waste. Currently the facility uses the burning chamber at Inyuu health centre to dispose of the sharps waste.

The other general waste is disposed off at the facility ash pit.

iii) Employee welfare

The employee hiring policy is being cascade down by the county government and ministry of health and sanitation.

iv) Market place practices-

The following are the efforts of Mutitu sub county hospital to: -

a) Responsible competition practice.

The facility is committed to upholding responsible competition price practices and selects its suppliers based on the guidelines outlined by the County government. The Supplies, commodities and services rendered are reviewed and audited periodically by the health management team of the facility.

b) Responsible Supply chain and supplier relations

The facility management in conjunction with the supply chain management endeavours to maintain good business practices by honouring contracts given to suppliers and upholding payments in the timeliest manner possible.

c) Responsible marketing and advertisement

The facility endeavours to outline ethical marketing practices by adhering to the county government guides on marketing and advertisement.

d) Product stewardship

The facility also endeavours to safeguard consumer rights by educating consumers on their rights through public addresses, personal interviews and posters displaying the same information.

A patient complaints and compliments book is available should patients and clients feel the need to register complaints or compliments received while receiving a service at the facility

v) Corporate Social Responsibility / Community Engagements

The facility management in close liaison with the board of management, County government of Kitui, the Kitui east sub county management team, Public health officers, Health promotion officers have endeavoured to carry activities of community engagement including giving health

talks at chiefs baraza several times, massive de worming and nutrition campaigns in conjunction with NGOs, organizing a vulnerable people's group in the form of table banking for the CCC clients among others.



Dr. Allan Siganga

Secretary to the Board

11. Statement of Board of Management

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


The Board of Management is responsible for the preparation and presentation of Mutitu level IV Hospital 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 (period) ended on June 30, 2024. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the Hospital; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

However, The hospital did not have a board during this financial year.

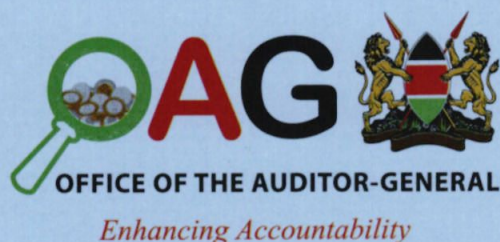
Approval of the financial statements

The Hospital's financial statements were approved by the Board on 9/1/25 and signed on its behalf by:

.....
Name:
Chairperson
Board of Management


.....
Name: **Dr. Asum SILANLA**
Accounting Officer

REPUBLIC OF KENYA



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

REPORT OF THE AUDITOR-GENERAL ON MUTITU SUB COUNTY HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2024 - COUNTY GOVERNMENT OF KITUI

PREAMBLE

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

- A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose.
- 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 Mutitu Level 4 Hospital - County Government of Kitui set out on pages 1 to 44, which comprise of the statement of financial

Report of the Auditor-General on Mutitu Sub County Hospital for the year ended 30 June, 2024 - County Government of Kitui

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

In my opinion, except for the effects 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 Mutitu Level 4 Hospital – County Government of Kitui as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Health Act, 2017 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies of the Financial Statements

Review of the financial statements revealed the following errors and inaccuracies in the presentation of financial statements.

- i. The statement of financial position as of 30 June, 2024 is incomplete.
- ii. The statement of Cashflows for the Year ended 30 June, 2024 is casted downwards and found incorrect.
- iii. Statement of comparison of budget and actual amounts for the Year ended 30 June, 2024 is incomplete.
- iv. Notes to the financial statements are not aligned to the four financial Statements. some notes are missing and they have not been numbered in chronological order.
- v. The Trial Balance has not been provided for Audit.

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

2. Non-Disclosure and Doubtful Ownership of Property, Plant and Equipment

The statement of financial position reflects Nil balance on property, plant and equipment. However, the facility has freehold land, buildings, one (1) motor vehicle movable and non-movable assets of undetermined value relating to land, buildings, and computers. Further, the land on which the hospital is built and the developments therein did not have ownership documents (title deeds).

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

3. Undisclosed Inventories Balances

The statement of financial position reflects Nil balance in respect to inventories. However, the Management did not undertake end year stock take of inventories to confirm existence and condition.

In the circumstances, the accuracy and completeness of Nil balance for inventories could not be confirmed.

4. Unconfirmed Cash balances

The statement of financial position reflects cash and cash equivalent balance of Kshs.12,898.35 as disclosed in Note 13 to the financial statements. However, the following was noted.

- i. The authority by the County Treasury to open and operate bank accounts have not been availed and as such we could not establish bank accounts operated by the entity.
- ii. Cashbook for the year has not been availed for audit.
- iii. Monthly bank reconciliations have not been availed.
- iv. The certificate of bank balances was not availed
- v. The management did not appoint a board of survey to examine and confirm accuracy of the cashbook and bank balances at the closure of financial year.

Further, a local commercial bank account of Revenue collection account with a bank statement balance of Kshs.7,387,228 as at 30 June, 2024 has not been disclosed in the financial statements submitted for audit.

In the, circumstances, the accuracy and completeness of cash and cash balances of Kshs.12,898.35 could not be confirmed.

5. Unreconciled NHIF variances

Note 8 in the financial statements relates to revenues from rendering of services of Kshs.5,638,275. Included in the amount is Kshs.3,083,080 relating to NHIF receipts/refunds. The recorded receipts provided for audit amounts to Kshs.2,756,162 resulting to unreconciled variance of Kshs.326,918.

In the circumstances, the accuracy and completeness of the rendering of services revenue balance of Kshs.3,083,080 could not be confirmed.

7. Unreconciled variance in In Kind Contributions from The County Government

Note 7 of the financial statement reflects In Kind Contributions from The County Government balance of Kshs.42,040,330. Included in the amount is Kshs.1,134,416 which relates to Medical Supplies-Drawings Rights (KEMSA) but the invoices/delivery notes provided to support the figure, amount to Kshs.1,676,545.00 resulting to a variance of Kshs.542,129.00.

In the circumstances, the accuracy and completeness of In-Kind Contributions from The County Government of Kshs.1,134,416 could not be confirmed.

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Mutitu 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.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Audit Matters

In the audit report of the previous year, several issues were raised under the report on Financial Statements, the Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance which have remained unresolved as at 30 June, 2024. However, management has not indicated any progress on the prior year audit issues under appendix 1 on progress of follow up of Auditor recommendations to the financial statements.

Other Information

Management is responsible for the other information set out on pages ii to xix which comprise of Key Entity Information and Management, Board of Directors, Key Management Team, Chairman's Statement, Report of the Chief Executive Officer. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Authority's financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit

or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect(s) of the matter(s) 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. Non - Compliance with Requirements in Universal Health Care (UHC)

Verification of services offered, equipment used and number of members of staff at the Hospital revealed that during the year under review, the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits as analyzed in the table below:

Grades	Level standard	4	Number in Hospital	Variance	percentage
Medical Officers		16	1	15	94%
Anesthesiologist		2	0	2	100%
General surgeons		2	0	2	100%
Gynecologists		2	0	2	100%
Pediatrics		2	0	2	100%
Radiologists		2	1	1	50%
Kenya registered Community Health nurses		75	5 (4 from the hospital, 1 locum from UHC)	70	93%
Total		101	7	94	93%

In addition, the hospital lacked the necessary equipment and machines offered in the Health Policy Guidelines as tabled below:

Service	Level standard	4	Number in Hospital	Variance	percentage
Beds		150	20	130	87%
Resuscitaire (2 in labour & 1 in theatre)		2	1 in labor	1	50%
Newborn unit incubators		5	3 (all faulty and not in use)	2	40%
Newborn unit cots		5	0	5	100%
Functional ICU Beds		6	0	6	100%
High Dependency Unit (HDU) beds		6	0	6	100%
Renal Unit with atleast 5 dialysis machines		5	0	5	100%
Two functional operational Theatres- Maternity and General		2	1 but not functional or operational	1	50%

In addition, the radiology, gynecology and renal services were not being offered in hospital as required for a level 4 facility and the theatre was not functional and as a result, the health equipment in the theatres were not being utilized.

In the circumstances, the classification of the Hospital as a Level 4 Hospital may be irregular and Universal Health Care may not be effectively delivered at the Hospital.

2. Irregular Engagement of Casual Workers

The statement of financial performance reflects casuals and contractual staff amount of Kshs.814,072 as disclosed in Note 16 to the financial statements. It was noted that Management engaged casual workers for more than three months. This was contrary to the County Public Service Human Resource Manual, May, 2013 Section B. 16(1) 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.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern

them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effects 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. Failure to Maintain a Fixed Asset Register

Mutitu Sub County Hospital did not maintain a fixed asset register. In addition, there was no evidence to show that the entity has valued its assets to ascertain market values.

In the circumstances, the existence of an effective mechanism to safeguard the assets could not be confirmed and the management was in breach of the Public Finance Management (County government) regulations 2015, Regulation 133 which states that The Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws.

2. Lack of a Board of Management

The Financial statements of the Hospital revealed existence of a Board of Management, however review of documents availed for audit revealed that the Board was degazetted in 26 August ,2023 and no other board was constituted.

In the circumstances, the Hospital will not achieve its strategic objectives in the absence of an effective and functional Board.

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

Responsibilities of Management and 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 control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Hospital's ability to sustain its services, disclosing, as applicable, matters related to sustainability of services unless the Management is aware of the intention to terminate the Hospital or to cease operations.

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

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

Those charged with governance are responsible for overseeing the Hospital's financial reporting process, reviewing the effectiveness of how the Hospital 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

13 January, 2025

Mutitu Sub County Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2024

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

Description	Note	2023-2024	2022-2023
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	6	5,075,000	6,578,629
In-kind contributions from the County Government	7	42,040,330	
Grants from donors and development partners			
Transfers from other Government entities			
Public contributions and donations			
		47,115,330	6,578,629
Revenue from exchange transactions			
Rendering of services- Medical Service Income	8	5,638,275	4,498,513
Revenue from rent of facilities			
Finance /Interest Income			
Miscellaneous Income			
Revenue from exchange transactions		5,638,275	4,498,513
Total revenue		52,753,605	11,077,142
Expenses			
Medical/Clinical costs	9	1,053,290	1,730,700
Employee costs	10	814,072	1,343,644
Board of Management Expenses			
Depreciation and amortization expense			
Repairs and maintenance	11	473,390	1,430,150
In-Kind Contributions	7	42,040,330	
General expenses	12	2,772,136.5	2,082,023
Refunds to the County Government	8	5,638,275	4,498,513
Total expenses		52,791,493.5	11,085,030
Other gains/(losses)			
Gain/Loss on disposal of non-current assets			

Mutitu Sub County Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2024

Description	Note	2023/2024	2022/2023
		Kshs	Kshs
Unrealized gain on fair value of investments			
Medical services contracts Gains/Losses			
Impairment loss			
Gain on foreign exchange transactions			
Total other gains/(losses)			
Net Surplus / (Deficit) for the year		37,888.5	(7,888)

The Hospital's financial statements were approved by the Board on 9/1/25 and signed on its behalf by:

.....
Chairman
Board of Management

.....
Head of Finance
ICPAK No:
 28941

.....
Medical Superintendent
 DR. MUAH
 SIG ANCA

Mutitu Sub County Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2024

Statement of Financial Position As At 30th June 2024

		2024	2023
Assets			
Current assets			
Cash and cash equivalents	27	12,898.35	49,594
Receivables from exchange transactions			
Receivables from non-exchange transactions			
Inventories			
Total Current Assets		12,898.35	49,594
Non-current assets			
Property, plant, and equipment			
Intangible assets			
Investment property			
Total Non-current Assets			
Total assets (A)		12,898.35	49,594
Liabilities			
Current liabilities			
Trade and other payables			
Refundable deposits from customers/Patients			
Provisions			
Finance lease obligation			
Current portion of deferred income			
Current portion of borrowings			
Social Benefits			
Total Current Liabilities			
Non-current liabilities			
Provisions			
Non-Current Finance lease obligation			
Non-Current portion of deferred income			
Non - Current portion of borrowings			
Service concession Arrangements			

Mutitu Sub County Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2024

Description	Notes	2023-2024	2022-2023
		KSh	KSh
Social Benefits			
Total non-current liabilities			
Total Liabilities (B)		0	
Net assets (A-B)		12,898.35	
Represented by:			
Revaluation reserve			
Accumulated surplus/Deficit			
Capital Fund			
Net Assets		12,898.35	49,594

The Hospital's financial statements were approved by the Board on 9/1/25 and signed on its behalf by:

.....
Chairman	Head of Finance	Medical Superintendent
Board of Management	ICPAK No:	Dr. AUAAN SIGANGA
	28941	

Mutitu Sub County Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2024

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

Description	Revaluation	Accumulated	Capital	Total
As at July 1, 2022		(81183)		(81183)
Revaluation gain		-	-	
Surplus/(deficit) for the year	-	(7888)	-	(7888)
Capital/Development grants	-	-		
As at June 30, 2023		(89071)		(89071)
At July 1, 2023		(89071)		(89071)
Revaluation gain		-	-	
Surplus/(deficit) for the year	-	0	-	0
Capital/Development grants	-	-		
At June 30, 2024				

Mutitu Sub County Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2024

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

Description	Note	2023-2024 KSh	2022-2023 KSh
Cash flows from operating activities			
Receipts			
Transfers from the County Government		5,075,000	6,578,629
Grants from donors and development partners			
Transfers from other Government entities			
Public contributions and donations			
Rendering of services- Medical Service Income		5,638,275	
Revenue from rent of facilities			
Finance / interest income			
Miscellaneous receipts(<i>specify</i>)			
Total Receipts		10,713,275	6,578,629
Payments			
Medical/Clinical costs		1,053,290	1,730,700
Employee costs		814,072	1,343,644
Board of Management Expenses			
Repairs and maintenance		473,390	1,430,150
Grants and subsidies			
General expenses		2,772,136.5	2,082,023
Finance costs			
Refunds paid out		5,638,275	
Total Payments		10,751,163	6,586,517
Net cash flows from operating activities	42		
Cash flows from investing activities			
Purchase of property, plant, equipment			
Purchase of intangible assets			
Proceeds from the sale of PPE			
Acquisition of investments			
Net cash flows used in investing activities			
Cash flows from financing activities			
Proceeds from borrowings			
Repayment of borrowings			
Capital grants received			

Mutitu Sub County Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2024

Net cash flows used in financing activities			
Net increase/(decrease) in cash and cash equivalents		37,889	
Cash and cash equivalents as at 1 July 2023	27	49,594.85	6838
Cash and cash equivalents as at 30 June 2024	27	12,898.35	49,594

Mutitu Sub County Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2024


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


Description	Original budget	Adjustments to original budget	Actual as compared to budget	Performance difference	% of original
	a	b	c=(a+b)	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	
Revenue					
Transfers from the County Government	6,000,000		6,000,000	5,075,000	85%
Grants from donors and development partners					
Transfers from other Government entities					
Public contributions and donations					
Rendering of services- Medical Service Income	6,000,000		6,000,000	5,638,275	94%
Revenue from rent of facilities					
Finance / interest income					
Miscellaneous receipts (<i>specify</i>)					
Total income	12,000,000		12,000,000	10,713,275	89%
Expenses					
Medical/Clinical costs	1,278,290		1,278,290	1,053,290	82%
Employee costs	889,072		889,072	814,072	91%
Remuneration of directors					
Repairs and maintenance	573,390		573,390	473,390	83%
Grants and subsidies					
General expenses	2,797,136.50		2,797,136.50	2,772,136.50	99%
Finance costs					
Refunds to County Government	6,000,000		6,000,000	5,638,275	94%
Surplus for the period				37,889	
Capital expenditure					

Mutitu Sub County Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2024

The notes set out on pages 10 to 51 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 9/1/25 and signed on its behalf by:

.....
Chairman
Board of Management


.....
Head of Finance
ICPAK No:
28941


.....
Medical Superintendent
DR. ANAN SILANGA

16. Notes to the Financial Statements

1. General Information

Mutitu Level IV entity is established by and derives its authority and accountability from the county Government Act. The entity is wholly owned by the Kitui County Government and is domiciled in Kitui County in Kenya. The entity's principal activity is provision of Health Services.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of Mutitu Level 4 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 2024

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

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

Standard	Effective date and impact
	<p>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>IPSAS 46 Measurement</p>	<p>Applicable 1st January 2025</p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
<p>IPSAS 47- Revenue</p>	<p>Applicable 1st January 2026</p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
<p>IPSAS 48- Transfer Expenses</p>	<p>Applicable 1st January 2026</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</p>

Standards and Impact	
	for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.
IPSAS 49- Retirement Benefit Plans	<i>Applicable 1st January 2026</i> 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.

iii) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year.

4. Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

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

ii) Revenue from exchange transactions

Rendering of services

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

b. Budget information

Board did not approve the original budget for FY 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 entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the hospital recorded additional appropriations of on the FY 2023-2024 budget following the Board's approval. 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.

Notes to the Financial Statements (Continued)

c. Taxes

Sales tax/ Value Added Tax

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

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

d. Property, plant and equipment

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

Financial assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held

Notes to the Financial Statements (Continued)

within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Notes to the Financial Statements (Continued)

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note xx*.

Financial liabilities

Classification

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

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 Entity.

f. Provisions

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

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

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

g. Social Benefits

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

Notes to the Financial Statements (Continued)

h. Contingent assets

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

i. Nature and purpose of reserves

The entity creates and maintains reserves in terms of specific requirements.

j. Changes in accounting policies and estimates

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

k. Employee benefits

Retirement benefit plans

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

Notes to the Financial Statements (Continued)

l. Related parties

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

m. Service concession arrangements

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

n. 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.

o. Comparative figures

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

Notes to the Financial Statements (Continued)

p. Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Useful lives and residual values

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

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

Provisions

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

	2023/2024	2022/2023
	KShs	KShs
Unconditional grants		
Operational grant	5,075,000	6,578,629
Level 4/5 grants		
Conditional grants		
User fee forgone		
Transforming health services for Universal care project (THUCP)		
DANIDA		
Total government grants and subsidies	5,075,000	6,578,629

6 b Transfers from The County Government

Name of the Entity sending the grant	Amount recognised in the statement of income KShs	Amount recognised under deferred account KShs	Amount recognised in capital fund KShs	Total grant income during the year	
				2023/2024	2022/2023
	KShs	KShs	KShs	KShs	KShs
Kitui County Government	5,075,000			5,075,000	6,578,629
Total	5,075,000			5,075,000	6,578,629

Notes to Financial Statements Continued

7. In Kind Contributions from The County Government

Description	2023/2024 KShs	22/23 KShs
Salaries and wages	37,777,956	
Medical supplies-Drawings Rights (KEMSA)	1,134,416	
Pharmaceuticals and Non-Pharmaceutical Supplies (other suppliers)	3,127,958	
Utility bills		
Total grants in kind	42,040,330	

Notes to Financial Statements Continued Notes to Financial Statements Continued

8. Rendering of Services-Medical Service Income

Description	2023/2024	2022/2023
	Kshs	Kshs
Pharmaceuticals	601,515	1,480,700
Non-Pharmaceuticals		
Laboratory	51,500	920,400
Radiology	12,000	310,726
Orthopedic and Trauma Technology		
Theatre		
Medical Records	124,400	
Consultation	82,790	
Ear Nose and Throat service		
Physiotherapy	600	
Medical Examination	700	
Dental services		
Reproductive health (Family plan)	4,700	
Paediatrics services	7,270	
Farewell home services	522,700	621,200
Maternity	1,002,000	
Other medical services income (NHIF)	3,083,080	1,128,630
Total revenue from the rendering of services	5,638,275	4,498,513

Notes to the Financial Statements (Continued)

9. Medical/ Clinical Costs

Description	2023/2024	2022/2023
	Kshs	Kshs
Dental costs/ materials		
Laboratory chemicals and reagents		
Public health activities		
Food and Ration	542,740	673,160
Uniform, clothing, and linen		
Dressing and Non-Pharmaceuticals	143,500	345,510
Pharmaceutical supplies		
Health information stationery (Record Materials)	201,000	372,350
Reproductive health materials		
Sanitary and cleansing Materials	166,050	339,680
Purchase of Medical gases		
X-Ray/Radiology supplies		
Other medical related clinical costs (<i>specify</i>)		
Total medical/ clinical costs	1,053,290	1,730,700

10. Employee Costs

Description	2023/2024	2022/2023
	Kshs	Kshs
Salaries, wages, and allowances	688,688	1,199,964
Contributions to pension schemes	91,782	107,280
Staff medical expenses and Insurance cover	33,600	36,400
Employee costs	814,072	1,343,644

Notes to the Financial Statements (Continued)

11. Repairs And Maintenance

	2023/2024	2022/2023
Property- Buildings	214,290	364,040
Medical equipment		
Office equipment		
Furniture and fittings		
Computers and accessories		
Motor vehicle expenses	259,100	554,250
Maintenance of civil works		
Total repairs and maintenance	473,390	918,290

Notes to the Financial Statements (Continued)

12. General Expenses

Description	2023/2024 KSh	2022/2023 KSh
Advertising and publicity expenses		
Catering expenses	0	50000
Waste management expenses		
Insecticides and rodenticides		
Audit fees		
Bank charges	5,991.5	2823
Conferences and delegations		
Consultancy fees		
Contracted services		
Electricity expenses	105,000	311,000
Fuel and Lubricants	580,000	790,000
Other Fuels	55,000	94,950
Research and development expenses		
Travel and accommodation allowance	576,900	518,250
Locum	336,000	
Licenses and permits		
Courier and postal services		
Printing and stationery (General office)	226,650	
Hire charges		
Rent expenses		
Water and sewerage costs	0	30,000

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Description	2023/2024	2022/2023
	KShs	KShs
Skills development levies		
Telephone and mobile phone services	195,000	195,000
Other Running expenses (Imprest)	691,595	90,000
Staff training and development		
Subscriptions to professional bodies		
Subscriptions to newspapers periodical, magazines, and gazette notices		
Library books/Materials		
Parking charges		
Total General Expenses	2,772,136.5	2,082,023

13. Cash And Cash Equivalents

Description	2023/2024	2022/2023
	KShs	KShs
Current accounts	12,898.35	49,594.85
Cash in hand		
Others(<i>specify</i>)- Mobile money		
Total cash and cash equivalents	12,898.35	49,594.85

Notes to the Financial Statements (Continued)

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

Description	Account number	2023/2024	2022/2023
		KShs	KShs
a) Current account			
Kenya Commercial bank	1156804256	12,898.35	49,594.85
Equity Bank, etc			
Sub- total			
b) On - call deposits			
Kenya Commercial bank			
Equity Bank – etc			
Sub- total			
c) Fixed deposits account			
Bank Name			

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Sub- total			
d) Others(specify)			
cash in hand			
Mobile money- Mpesa, Airtel money			
Sub- total			
Grand total		12,898.35	49,594.85

14. Receivables From Exchange Transactions

Description	2023/2024	2022/2023
	KShs	KShs
Medical services receivables		
Rent receivables		
Other exchange debtors		
Less: impairment allowance		
Total receivables		

Analysis of Receivables From Exchange Transactions

Description	Insert Current FY		Insert Comparative FY	
	KShs		KShs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year		%		%
Between 1- 2 years		%		%
Between 2-3 years		%		%
Over 3 years		%		%
Total (a+b)		%		%

15. Receivables From Non-Exchange Transactions

Description	Insert Current FY	Insert Comparative FY
	KShs	KShs
Transfers from the County Government		
Undisbursed donor funds		
Other debtors (<i>non-exchange transactions</i>)		
Less: impairment allowance		
Total		

Analysis of Receivables From Non-Exchange Transactions

Description	Insert Current FY		Insert Comparative FY	
	KShs		KShs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year		%		%
Between 1- 2 years		%		%
Between 2-3 years		%		%
Over 3 years		%		%
Total (a+b)		%		%

Notes to the Financial Statements (Continued)

20. Cash Generated from Operations

Surplus for the year before tax		
Adjusted for:		
Depreciation		
Non-cash grants received		
Working Capital adjustments		
Increase in inventory		
Net cash flow from operating activities		

Notes to the Financial Statements (Continued)

21. Financial Risk Management

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

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

(i) Credit risk

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

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Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023 (previous year)				
Receivables from exchange transactions				
Receivables from –non-exchange transactions				
Bank balances				
Total				
At 30 June 2024 (current year)				
Receivables from exchange transactions				
Receivables from –non-exchange transactions				
Bank balances				
Total				

Notes to the Financial Statements (Continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the hospital has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has significant concentration of credit risk on amounts due from 2024. The board of management sets the hospital's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2024				
Trade payables				
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
Total				
At 30 June 2024				
Trade payables				
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
Total				

Notes to the Financial Statements (Continued)

(iii) Market risk

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

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

Sensitivity analysis

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

22. Related Party Balances

Nature of related party relationships

Entities and other parties related to the entity include those parties who have the ability to exercise control or exercise significant influence over its operating and financial decisions.

Related parties include management personnel, their associates, and close family members.

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

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

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Notes to the Financial Statements (Continued)

Description	2023/2024	2022/2023
	Kshs	Kshs
Transactions with related parties		
a) Services offered to related parties		
Services to other Hospitals	-	-
Total	-	-
b) Grants from the Government		
Grants from County Government	-	-
Grants from the National Government Entities	-	-
Total	-	-
Total	-	-

23. Events after the Reporting Period

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

24. Ultimate and Holding Entity

The Hospital a Semi- Autonomous Government Agency under the Department of Health. Its ultimate parent is the County Government of Kitui.

25. Currency

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

17. Appendices

Appendix 1: Progress on Follow Up of Auditor Recommendations

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

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

.....
Dr. Allan Siganga
Accounting Officer

Appendix II: Projects Implemented by The Entity

Projects

Projects implemented by the Hospital Funded by development partners

Project title	Project Number	Donor	Period/ duration	Donor commitment	Start date	End date
1						
2						

Status of Projects completed

SN	Project	Total project cost	Total expended to date	Completion % to date	Budget	Actual	Source of funds
1							
2							
3							

Appendix III: Inter-Entity Confirmation Letter

Name of Transferring entity.....KITUI COUNTY GOVERNMENT

Name of Beneficiary entity.....MUTITU SUB COUNTY HOSPITAL

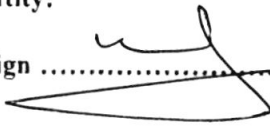
Confirmation of amount received by Mutitu level hospital Hospital as at 30 th June 2024								
Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (KShs) as at 30th June 2024				Total (D)=(A+B+C)	Amount Received by Hospital (KShs) as at 30th June 2024	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)				
REC/0001090111	14 Aug 23	500,000	-	-	500,000	500,000	-	
REC/0001091138	13 Sep 23	500,000	-	-	500,000	500,000	-	
REC/0001091950	29 Sep 23	500,000	-	-	500,000	500,000	-	
REC/0001093318	27 Oct 23	500,000	-	-	500,000	500,000	-	
REC/0001094630	01 Dec 23	500,000	-	-	500,000	500,000	-	
REC/0001095885	04 Jan 24	500,000	-	-	500,000	500,000	-	
REC/0001097608	02 Feb 24	500,000	-	-	500,000	500,000	-	
REC/0001099069	06 Mar 24	500,000	-	-	500,000	500,000	-	
REC/0001099831	04 Apr 24	500,000	-	-	500,000	500,000	-	
REC/0001113733	16 May 24	500,000	-	-	500,000	500,000	-	
REC/0001101856	10 Jun 24	75,000	-	-	75,000	75,000	-	
Total		5,075,000	-	-	5,075,000	5,075,000	-	

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

Head of Accounts Department - Disbursing Entity:

Name Sign Date

Head of Accounts Department - Beneficiary Entity:

Name ... DR. ANAN SILANGA ... Sign  ... Date 9/1/25

Appendix IV Reporting of Climate Relevant Expenditures

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