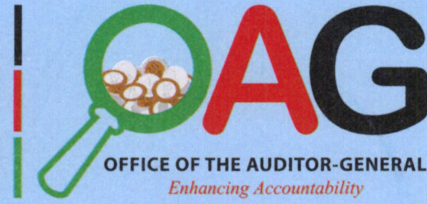


REPUBLIC OF KENYA

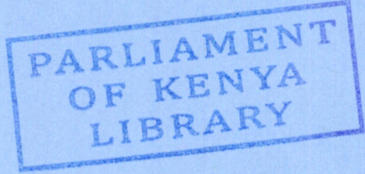


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability



REPORT

OF

THE AUDITOR-GENERAL

ON

CHUKA COUNTY REFERRAL HOSPITAL

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

**COUNTY GOVERNMENT OF
THARAKA-NITHI**

PAPERS LAID	
DATE	04.12.2025
TABLED BY	J.H.K
COMMITTEE	-
CLERK AT THE TABLE	Abdirahman



REPUBLIC OF KENYA



COUNTY GOVERNMENT OF THARAKA NITHI



CHUKA COUNTY REFERRAL HOSPITAL

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2024

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



COUNTY GOVERNMENT OF THARAKA NITHI
COUNTY TREASURY



Telephone: 1513

Email: treasury@tharakanithi.go.ke

REF: TNCG/ACC/CRH /VOL.I/01



P. O. BOX 10-60406

KATHWANA

Date: 5th December, 2024

The Auditor General
Office of the Auditor General
Embu Hub
P.O Box 113- 60100
EMBU

**RE: THARAKA NITHI COUNTY CHUKA COUNTY REFERRAL HOSPITAL
REPORT AND FINANCIAL STATEMENTS FY 2023/2024**

In accordance to Public Financial Management Act 2012, Section 167, we hereby submit Chuka County Referral Hospital Annual Report and Financial Statements for the Financial Year ended 30th June 2024.

Please find enclosed report for your necessary action.

Thank you

Lawrence K. Ileri Rweria

CECM- Finance, Economic Planning and Resource Mobilization

cc

- The Clerk, County Assembly of Tharaka Nithi
- The Director General, Accounting Services and Quality Assurance
- The Commission on Revenue Allocation
- The Controller of Budget



Chuka County Referral Hospital (Tharaka Nithi County Government)
Annual Report and Financial Statements
For The Year Ended 30th June 2024

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Chuka County Referral Hospital (Tharaka Nithi County Government)
Annual Report and Financial Statements
For The Year Ended 30th June 2024

1. Acronyms & Glossary of Terms

CSR	Corporate Social Responsibility
PFMA	Public Financial Management Act
MED SUP	Medical Superintendent
HMT	Hospital Management Team
OPD	Outpatient Department
AFYA-KE	Digital system that automates revenue system
ENT	Ear, Nose and Throat services
NBU	New Born Unit
SOPC	Surgical Outpatients Clinic
OOPC	Orthopaedic Outpatient Clinic
POPC	Paediatric Outpatient Clinic
EOPC	Endocrinology Outpatient Clinic
GOPC	Gynaecology Outpatient Clinic
MOPC	Medical Outpatient Clinic
Fiduciary Management	Key management personnel who have financial responsibility in the entity.

Chuka County Referral Hospital (Tharaka Nithi County Government)
Annual Report and Financial Statements
For The Year Ended 30th June 2024

2. Key Entity Information and Management

(a) Background information

Chuka County Referral Hospital is a level (5) hospital established under gazette notice number 3144 of 10th March 2023 and is domiciled in Tharaka Nithi County under the Health Department. The hospital is governed by Hospital Management Committee.

(b) Principal Activities

The principal activity/mission/ mandate of the hospital is to offer compassionate, high quality healthcare services that prioritize patient safety, innovation and excellence, while addressing the unique needs of our community with integrity and professionalism.

(c) Key Management

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

- County department of health
- Hospital Management
- Accounting Officer/ Medical Superintendent
- Hospital Management Team

(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. Maureen Kemuma Ogeto
2.	Nursing Services Manager	Lucy Gatwiri
3.	Health Administrative Officer	James Mwiti

(e) Fiduciary Oversight Arrangements

- County Assembly
- Has health committee which oversees hospital activities and projects.

Key Entity Information and Management (continued)

(f) Entity Headquarters

P.O. Box 8 -60400
Nairobi, Meru Road/Highway
CHUKA, KENYA

(g) Entity Contacts

Chuka County Referral Hospital (Tharaka Nithi County Government)
Annual Report and Financial Statements
For The Year Ended 30th June 2024

Telephone: (+254 728226333)
E-mail: medsupchuka@gmail.com

(h) Entity Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
2. Family Bank
Chuka Branch
P.O. Box 60000 – 00400
Chuka

(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
Tharaka Nithi County
P.O. Box. 10-60406
Kathwana Kenya

Chuka County Referral Hospital (Tharaka Nithi County Government)
Annual Report and Financial Statements
For The Year Ended 30th June 2024

3. Key Management Team

Ref	Management	Details
1.	 <p>Dr. Maureen Ogeto Medical Superintendent BDS (UoN)/ SMC / MBA-HCM (Ongoing, Strathmore Business School)</p>	<p>Oversees all clinical and medical services, ensuring high standards of patient care and efficient use of medical resources.</p>
2.	 <p>Lucy Gatwiri Nursing Services Manager KRCHN/KR-Paeds/BScN/MSc (ongoing, Chuka University)</p>	<p>Oversees and coordinates all nursing activities within the hospital to ensure the delivery of high-quality patient care.</p>

Chuka County Referral Hospital (Tharaka Nithi County Government)
Annual Report and Financial Statements
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<p>3.</p>	 <p>James Mwiti Kiria Health Administrative Officer CPA3/M&E Certificate/BCom Banking & Finance/MBA Strategic Management- Ongoing, Tharaka University</p>	<p>Oversees the hospital's operations, including financial management, human resources, procurement, and supply chain to ensure efficient service delivery.</p>
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Chuka County Referral Hospital (Tharaka Nithi County Government)
Annual Report and Financial Statements
For The Year Ended 30th June 2024

4. Report of The Medical Superintendent

Hospital Overview

Background Information

Chuka County Referral Hospital started as a small health post facility under a tree popularly known as “gwa gatilamu” within Chuka township in the late 1940’s. The hospital is located along the busy Meru-Nairobi highway, Chuka Sub County, Karingani Ward in Tharaka Nithi County. The health post later grew into a Community Dispensary back in 1952, then elevated to a Health Centre in 1960. In 1987, it was made into a Sub-District Hospital, and upgraded to a full District Hospital in 1992, serving as the main referral hospital for the residents in the former Meru South District. It is currently a **Level V Referral Hospital** following its elevation from Level IV status. This was done through a **Gazette Notice No. 3144 of 10th March 2023**. The hospital provides specialized and basic medical services, rehabilitative, preventive and promotional services. It is also an internship training Centre for Medical Officers, Pharmacists, Laboratory Technologists, Nurses, Clinical Officers, Radiographers, Nutritionists, Health records, Biomedical Engineers amongst others. The hospital collaborates with KMTC Chuka, Kenya Methodist University, Rubate Nursing School, St Irvine College of Health Sciences (Chogoria) and Chuka University whose students formally use the facility as a Teaching Hospital.

Catchment Population

Tharaka Nithi County has an area of 2,609 km². It is the home to the Chuka, Muthambi, Mwimbi and Tharaka sections of the Ameru (Meru) community. Chuka County Referral Hospital catchment population comprises of: **Male 51,729(49.30% and Female 53,145(50.70%)**, making a total of **104,874** people.

Chuka County Referral Hospital Mission and Vision

Mission:

We exist to offer compassionate, high quality healthcare services that prioritize patient safety, innovation and excellence, while addressing the unique needs of our community with integrity and professionalism.

Vision:

To become a world class healthcare institution, leveraging cutting edge technology, research and continuous innovation to provide the best possible outcomes for our patients and lead healthcare transformation in our region.

Chuka County Referral Hospital (Tharaka Nithi County Government)
Annual Report and Financial Statements
For The Year Ended 30th June 2024

Core Values:

- Integrity
- Patient-Centred Care
- Compassion
- Client Focused
- Professionalism
- Employee Empowerment
- Respect
- Collaboration
- Safety
- Innovation

Governance and Management Structure

The hospital's governance structure is through the Hospital Management Committee (HMC) that exercises an oversight and advisory role to the Hospital Management Team (HMT). The HMC represents the community's interests in the management of the hospital. It performs its functions through its various committees, namely: -

1. Quality, Standards and Operations Committee,
2. Finance, Planning and Development committee,
3. Human Resources and Administration Committee.

Management Structure

At the hospital level, the facility is managed by the Hospital Management Team (HMT) under the leadership of the Medical Superintendent. It achieves its mandate through its various subcommittees namely:

1. Advisory/Discipline Committee
2. Cost Sharing Committee
3. Training Committee
4. Medico – Legal Committee
5. Waiver Committee
6. Infection Prevention Committee

Chuka County Referral Hospital (Tharaka Nithi County Government)
Annual Report and Financial Statements
For The Year Ended 30th June 2024

7. Maternal Perinatal and Death Surveillance Response Committee
8. Quality Assurance Committee
9. Inspection and Acceptance Committee
10. Hemovigilance Committee
11. Prevention Of Drug and Substance Abuse Committee
12. Welfare Committee
13. Procurement Committee
14. Disability Mainstreaming Committee
15. Medicine And Therapeutics Committee
16. Catering Committee
17. Emergency Response and Preparedness Committee

Infrastructure and Services Offered

Chuka County Referral Hospital sits on a land estimated to be **22.24 acres**. The land has a **Title Deed issued in 2023**. The hospital allocated **5 acres** of land for the construction of **Chuka KMTC** upon approval by the Hospital Management Committee (HMC) and Hospital management Team (HMT) in **2016**.

A further **3.48 acres** has been given to the **National Cereals and Produce Board (NCPB)**, leaving a balance of **13.76 acres** to the hospital, inclusive of the existing infrastructure. The land is currently fenced, using chain-link wire.

Infrastructure

The hospital has the following key infrastructure

- Modern OPD Complex
- Modern OPD Waiting Bay
- Mother & Child Health Block (MCH)
- Records Department Block
- Chest Clinic/Public Health Block
- CCC Block
- Ct Scan Building
- Xray Block
- Satellite Blood Transfusion Block
- Maternity A Block

Chuka County Referral Hospital (Tharaka Nithi County Government)
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For The Year Ended 30th June 2024

- Maternity B Block
- Newborn Unit (NBU) Block
- Female Ward + Old Amenity
- Male Ward
- Laundry Block
- Kitchen
- New Amenity Ward
- MARP's Block
- Old Morgue
- New Morgue
- Maintenance Block

Important Infrastructure

- Power Generator House
- Transformer (630Kva) + Shed
- New Generator (500kva) + Shed
- 3 functional theatres (2 general surgery, 1 for maternity)

Services

OPD

- General Consultation Services
- Dental Services
- Ear, Nose and Throat (ENT) services
- Pharmacy services
- Imaging – Digital Xray, Ultrasound, OPG, Mammogram & CT scan
- Rehabilitative Clinics – Occupational Therapy, Physiotherapy and Orthopedic Technology
- Ortho Trauma Department
- CCC – Centre for Comprehensive Clinic
- Chest Clinic
- MCH – Mother & Child Health offering care for under 5's, Family Planning, Comprehensive Wellness Clinic (CWC), Vaccinations, Cervical Cancer screening amongst others.
- Nutrition Clinic
- Laboratory Services – under a 5-year PPP (CGTN, Metropolis, CHAI & Strathmore University)

Chuka County Referral Hospital (Tharaka Nithi County Government)
Annual Report and Financial Statements
For The Year Ended 30th June 2024

- Accident & Emergency Wing
- Renal Dialysis Services

Special Clinics

These are run every week by the Consultant Specialists

- Monday - Eye Services, Plastic Surgery Clinic & Oncology Clinic
- Tuesday - Surgical Outpatients Clinic (SOPC) and Orthopedic Outpatient Clinic (OOPC)
- Wednesday – Pediatric Outpatient Clinic (POPC), Endocrinology Outpatient Clinic (EOPC) & Gynecology Outpatient Clinic (GOPC)
- Thursday – Medical Outpatient Clinic (MOPC)
- Friday - Eye Services & Oncology Clinic
- Monday – Friday: Psychiatry Clinic

INPATIENT

Chuka County Referral Hospital has a bed capacity of two hundred and nineteen beds **(219)**

The following services are offered

- Antenatal services
- Labour ward services
- Maternity services
- Paediatric Services
- Newborn Unit (NBU) services
- Male Ward – Medical, Surgical, Orthopaedic and Oncology Services
- Female Ward - Medical, Surgical, Orthopaedic, Obstetrics/Gynaecology Services and Oncology Services

Human Resource for Health

The hospital has close to **400 staff** of various cadres. We are however, in need of the following cadres

- Additional Gynaecologists (currently 2- extra one will help manage the high workload)
- Maxillofacial Surgeon
- Anaesthesiologist
- Cardiologist
- Pathologist
- Radiologist
- Nephrologist

Chuka County Referral Hospital (Tharaka Nithi County Government)
Annual Report and Financial Statements
For The Year Ended 30th June 2024

- Neurosurgeon
- Ear, Nose and Throat (ENT) Surgeon
- Dermatologist
- Critical Care Nurses
- Oncologist Nurses
- Renal Nurses

Innovations and Recent Developments

- New Technologies and Systems – Introduction of Afya Ke in February 2024 as the primary Health Information and Management System streamlining hospital operations
- The Chuka Laboratory - Public Private Partnership (PPP)

The hospital's laboratory MoU involves a collaborative effort between the County Government of Tharaka Nithi, Metropolis Lab, CHAI (Clinton Health Access Initiative), and Strathmore University. This MoU was signed in December 2022 and the project officially started on 16th April 2024. This partnership is designed to improve the lab's capacity and service delivery through enhanced diagnostics.

Ongoing Developments

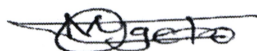
- Setting up of a 5 bed ICU/HDU
- Construction and equipping of Amenity Ward
- Construction and equipping of new 60 body capacity morgue

Challenges

- Resource constraints.
- Staffing Challenges – Low staff numbers and skills mix as per the staffing needs of a Level 5 Hospital.
- Congestion in the wards and in the morgue.
- Supply chain disruptions.
- Erratic water supply.
- Lack of Planned Preventive Maintenance (PPMs) for the MES project equipment.

Dr. Maureen Ogeto

Date : 23rd July 2024



Chuka County Referral Hospital (Tharaka Nithi County Government)
Annual Report and Financial Statements
For The Year Ended 30th June 2024

Medical Superintendent

4. Statement of Performance Against Predetermined Objectives

The hospital has no strategic plan. However, every year we develop Annual Work Plans (AWPs) that guides us on the developments projects, equipment and trainings that we need to undertake as per our needs.

5. Management Discussion and Analysis

Operational Performance:

Over the past five years, our hospital has experienced remarkable growth, expanding threefold and establishing itself as the facility of choice in the region. This growth is a testament to our commitment to providing exceptional healthcare services, as reflected in our zero maternal deaths and significant reductions in neonatal and perinatal mortality rates. Our efforts to improve patient care have been complemented by increased revenue, demonstrating the financial sustainability of our operations. Additionally, we have prioritized patient satisfaction, consistently receiving positive feedback for the quality of care, accessibility, and overall experience. Our hospital is fully compliant with all relevant statutory bodies, including KMPDC that regulates clinical practice, with our clinicians adhering to the highest standards of care and ethical guidelines. However, we face several risks, including staffing shortages, increasing demand for services, resource constraints, and potential disruptions in supply chains, which could impact our continued growth and service delivery. Despite these challenges, we remain committed to maintaining excellence, efficiency, and continuous improvement in all aspects of our operations.

Clinical/operational performance

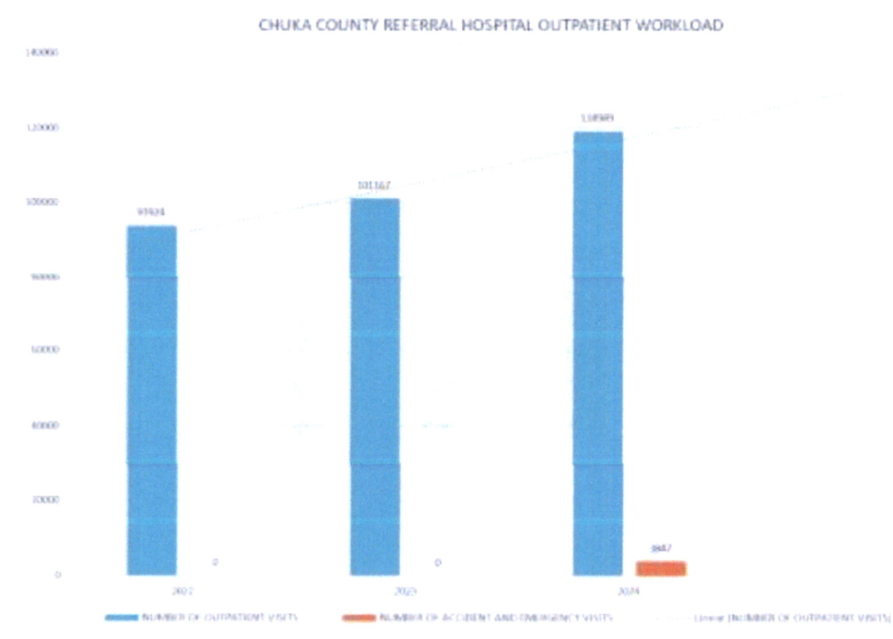
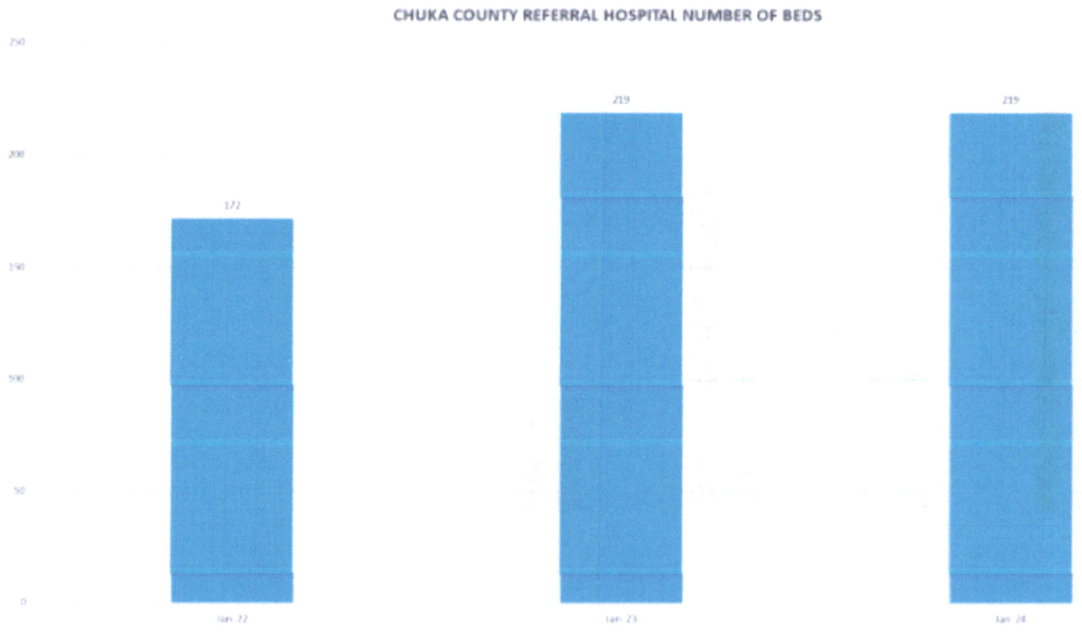
- Bed capacity of the hospital - **219**
- Overall patient attendance during the year for both inpatient and outpatient – **127,527**
- Patients**
- Accident and Emergency attendance – **3,847 patients**
- Specialised clinic attendance - **8,284 patients**
- Average length of stay for in patient – **13 days**
- Bed occupancy rate **130%**
- Mortality rate **56/1000 people**
- Surgical theatre utilisation – **1,702 surgeries**
- Sponsorships and partnerships - **TNCG, USAID, AMREF, Fred Hollows Foundation, Flying Doctors Society of Africa**

Chuka County Referral Hospital (Tharaka Nithi County Government)
Annual Report and Financial Statements
For The Year Ended 30th June 2024

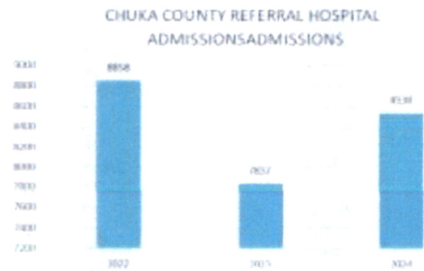
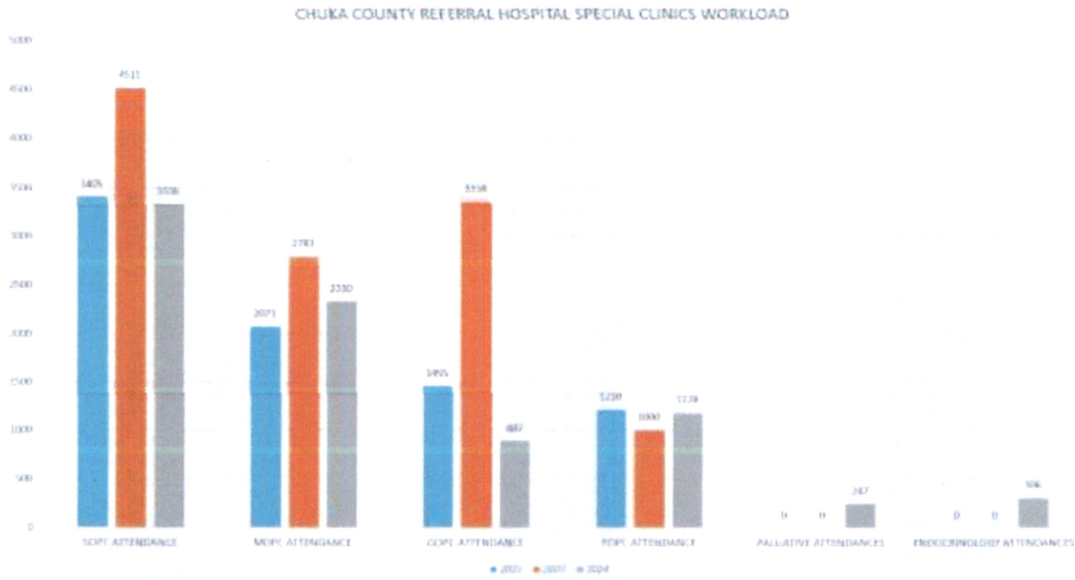
Financial performance that includes: -

- Revenue sources – County Government of Tharaka Nithi
- Revenue generated in the 2023/2024 F/Y – **Ksh. 112,670,297**

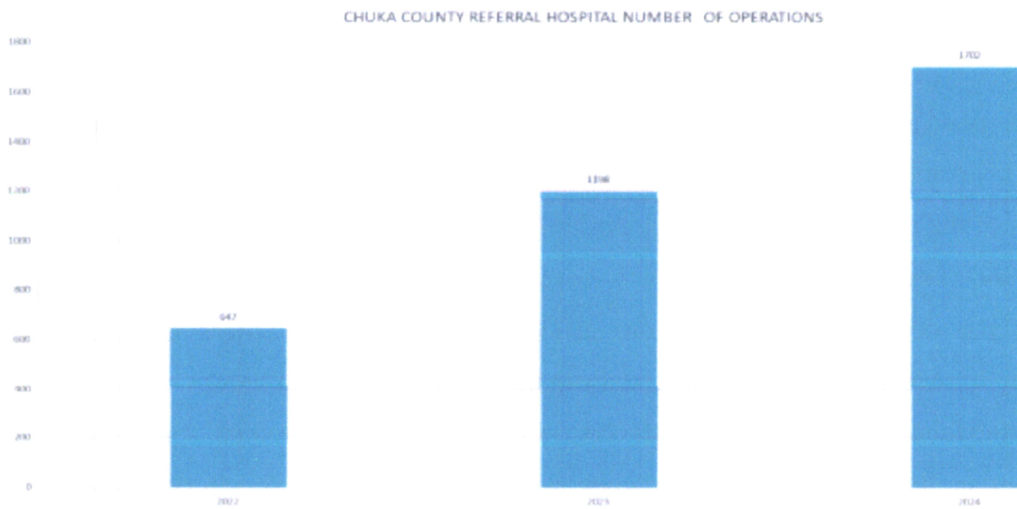
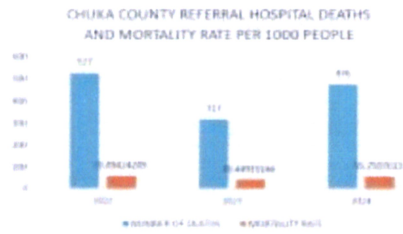
Chuka County Referral Hospital (Tharaka Nithi County Government)
Annual Report and Financial Statements
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Chuka County Referral Hospital (Tharaka Nithi County Government)
Annual Report and Financial Statements
For The Year Ended 30th June 2024



**Chuka County Referral Hospital (Tharaka Nithi County Government)
Annual Report and Financial Statements
For The Year Ended 30th June 2024**



Dr. Maureen Ogeto

.....
Medical Superintendent

6. Environmental And Sustainability Reporting

Introduction

The main mandate of Chuka County Referral Hospital is to provide accessible, high-quality, and affordable healthcare services to the population of Tharaka Nithi County and beyond. As a public Level 5 Hospital, it functions as a referral hospital offering specialized medical services, including advanced diagnostics, surgical care, maternity services, and emergency care. The hospital is tasked with promoting preventive, curative, and rehabilitative health interventions while training healthcare professionals and supporting research initiatives. Additionally, it ensures compliance with national health policies, manages resources efficiently, and addresses public health challenges in collaboration with the community and stakeholders to improve overall health outcomes.

Strategies

- We have increased and strengthened our revenue stream through automation of revenue collection and reporting. In addition, we have empanelled MAKL as an insurance provider
- Automation of the inventory system through the Afya-Ke ensures that stock status of supplies is monitored, and reordering is only done once we reach the buffer zone. This minimizes wastage of supplies in the departments. In addition, efficient procurement practices ensure we avoid “withholding of inventory” and only essential supplies are procured routinely.
- We have upgraded the hospital infrastructure and equipment to modern standards. Case in example is the ultra-modern OPD Complex with state-of-the-art laboratory, enhancing our diagnostic capacity and treatment for our patients.
- We have promoted environmental sustainability through efficient waste management practices, tree planting, rainwater saving and energy saving bulbs.
- Employment of various cadres of staff ensures continuity of quality services. Key staff like medical consultants, doctors, nurses, plaster technicians and radiographers were employed in the past year.
- Partnerships – we have partnerships with Metropolis Laboratory, CHAI, Strathmore University, Fred Hollows Foundation, USAID, Flying Doctors, AMREF to mention but a few that support service delivery through strengthening health systems

Chuka County Referral Hospital (Tharaka Nithi County Government)
Annual Report and Financial Statements
For The Year Ended 30th June 2024

Challenges

- Budgetary constraints that limit funding to hospitals.
- Rising costs of medical supplies compounds the budgetary constraints.
- Unpredictable influx of patients from the neighbouring counties of Embu and Meru due to strikes by their healthcare workers strains our resources.
- Extreme weather events like prolonged dry seasons leads to erratic water supply to the hospital.
- Inadequate waste management systems.
- Rising cases of lawsuits related to medical malpractice.
- Urban growth with changes in disease patterns. There are increasing incidences of non-communicable diseases like diabetes, high blood pressure, obesity, malnutrition and heart diseases.

i) Environmental performance

The hospital's environmental performance focuses on safe and sustainable healthcare delivery. Key initiatives include the proper management and disposal of medical and non-medical waste through functional waste segregation systems and incineration. Efforts are being made to adopt energy-efficient technologies, such as solar energy, to reduce energy consumption and operational costs. Water conservation measures, such as rainwater harvesting, have been implemented to address water scarcity. However, challenges such as inadequate waste disposal facilities, limited environmental awareness among staff hinder optimal environmental performance.

ii) Employee welfare

The hospital prioritizes employee welfare by fostering a supportive work environment and addressing staff needs to enhance motivation and productivity. Efforts include holding regular staff meetings, regular training, and opportunities for professional growth. The hospital also ensures access to healthcare services for employees and their families, along with creating mechanisms for addressing grievances and promoting work-life balance. The hospital also offers mental health support to its staff through scheduled counselling sessions and mental health talks. On employee welfare, the hospital formed a hospital welfare group

Chuka County Referral Hospital (Tharaka Nithi County Government)
Annual Report and Financial Statements
For The Year Ended 30th June 2024

four years ago whereby we support each staff member through seasons like child delivery, sickness, deaths or retirement.

There is also an open-door policy whereby mingle freely with the hospital administration, addressing all feedback promptly without going through numerous levels.

iii) Market place practices-

a) Responsible Supply chain and supplier relations

The hospital maintains strong and collaborative relationships with its suppliers to ensure the consistent availability of essential drugs, medical supplies, and equipment. These partnerships are built on trust, timely payments, and clear communication regarding procurement needs and expectations. Moving forward, the hospital aims to further strengthen these relationships by adopting transparent procurement processes and exploring long-term contracts with key suppliers.

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON CHUKA COUNTY REFERRAL HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2024 – COUNTY GOVERNMENT OF THARAKA - NITHI

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 Chuka County Referral Hospital – County Government of Tharaka - Nithi set out on pages 1 to 27, which comprise of the statement of financial position as at 30 June, 2024 and the statement of financial

Report of the Auditor-General on Chuka County Referral Hospital for the year ended 30 June, 2024 – County Government of Tharaka - Nithi

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 Chuka County Referral Hospital – County Government of Tharaka - Nithi as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the County Governments Act, 2012, the Health Act, 2017 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccurate Property, Plant and Equipment

The statement financial position reflects property, plant and equipment net book value of Kshs.335,196,713 . However, Note 16 to the financial statements disclosed property, plant and equipment net book value of Kshs.325,103,254 resulting into unexplained and unreconciled variance of Kshs.10,093,459.

In addition, furniture and fittings, computers and accessories that are owned and in use by the facility have not been valued and included in the fixed assets register. Further, the furniture available have not been tagged for ease of tracking and tracing.

In the circumstance, the accuracy and completeness of property, plant and equipment net book value of Kshs.335,196,713 could not be confirmed.

2. Unsupported Comparative Amounts

Review of the financial statements submitted for audit revealed that the financial statements reflect prior year comparative amounts and balances whose basis have not been supported or explained. Further, waivers have not been reflected in the statement of financial performance.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed; and the statements have not been prepared in compliance with the Public Sector Accounting Standards Board Financial reporting template and IPSAS 1 – Presentation of financial statements.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Chuka County Referral Hospital Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe

that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

Other Information

The Board of Management is responsible for the Other Information set out on page i to xxii which comprise of Key Entity Information and Management, Key Management Team, Report of the Medical Superintendent, Statement of Performance Against Predetermined Objectives, Management Discussion and Analysis and Environmental and Sustainability Reporting. 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 THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effects of the matter 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

Failure to Operationalize Facilities Improvement Fund

The statement of cashflows reflects transfers to County Revenue Fund (CRF) amount of Kshs.124,438,800 and as disclosed in Note 13 to the financial statements. The Chuka County Referral Hospital transferred the funds collected under Facility Improvement Fund to the County Revenue Fund which contravenes the requirements of Section 5 (1) the Facilities Improvement Financing Act, 2023 which states that there shall be retention of all monies raised or received by or on behalf of all public health facilities. Instead of

retaining the funds for direct facility use, the hospital redirected them to the County's Revenue Fund Account, undermining the purpose of FIF to empower health facilities with financial autonomy for service improvements. The health facilities should however retain the funds in their facility improvement Fund Account.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Non-Functional Hospital Management Committee

Review of records revealed that the Referral Hospital had nine (9) Members of the Management Committee who were appointed by the County Executive Committee Member for Health and Sanitation through Gazette Notice No. 9017 dated 19 July, 2024 and subsequently inaugurated. However, Management did not provide individual appointment letters for the Committee Members to support and validate the gazettelement. Therefore, the audit could not confirm the regularity, composition, or tenure of the Committee.

Further, there was no documentation provided to confirm that the Committee held any meetings during the year under review. Consequently, the Committee's active engagement to oversee administration, promote the development, approve plans, programs, and estimates on budgetary allocation and expenditure could not be verified.

There was also no evidence provided to indicate that the Hospital Management Committee had constituted any Sub-committees to address specific governance or operational issues, as would be expected in effective institutional oversight structures.

In the circumstances, the effectiveness of overall governance of the Hospital could not be confirmed.

2. Lack of a Budget and Procurement Plan

The Hospital operated without a budget for the period under review contrary to the Public Finance Management (County Governments) Regulations 29 (1) which states that the Accounting Officer shall ensure that the draft estimates relating to her or his department are prepared in conformity with the Constitution, the Act and these Regulations.

In the circumstance, the benchmark for the various expenditures and revenues could not be determined accurately.

In addition, the Hospital did not have an approved procurement plan during the period under review contrary to Section 53 (2) of the Public Procurement and Assets Disposal Act, 2015 which requires an accounting officer to prepare an annual procurement plan which is realistic. Therefore, it could not be confirmed how the Hospital carried out its procurements for the whole year without an approved procurement plan.

In the circumstance, the Hospital may not efficiently manage its resources to effectively deliver services to the public.

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

Responsibilities of the Management and the Board of Management

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards 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

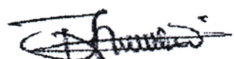
25 November, 2025

**Chuka County Referral Hospital (Tharaka Nithi County Government
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For The Year Ended 30th June 2024**

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

Description	Note	FY 2023/24	FY 2022/23
		Ksh	Ksh
Revenue from non-exchange transactions			
In- kind contributions from the County Government	6	466,685,487	372,129,780
Revenue from exchange transactions			
Rendering of services- Medical Service Income	7	112,670,297	89,275,379
Total Revenue		579,355,784	461,405,159
Expenses			
Medical/Clinical Costs	8	44,706,299	22,301,667
Employee costs	9	398,208,516	405,959,760
Depreciation and Amortization	10	8,976,777	10,093,459
Repairs and Maintenance	11	3,010,000	1,562,045
General Expenses	12	49,500,885	10,083,513
Total Expenses		504,402,477	449,596,044
Net Surplus / (Deficit) for the year		74,953,307	11,809,115

Chuka Hospital's financial statements were approved on 23rd July 2024 and signed by:



.....
CPA Judith Muthoni
Accountant
ICPAK No: 21856



.....
Dr. Maureen Ogeto
Medical Superintendent

**Chuka County Referral Hospital (Tharaka Nithi County Government
Annual Report and Financial Statements
For The Year Ended 30th June 2024**

9. Statement of Financial Position as At 30th June 2024

Description	Note	FY 2023/24	FY 2022/23
		Ksh	Ksh
Assets			
Current assets			
Cash and Cash Equivalents	14	83,512	13,843,617
Receivables from Exchange Transactions	15	14,387,646	3,282,089
Total Current Assets		14,471,158	17,125,706
Non-current assets			
Property, plant, and equipment	16	335,196,713	322,913,214
Total Non-current Assets		335,196,713	322,913,214
Total assets (A)		349,667,871	340,038,920
Liabilities			
Current liabilities			
Account Payables	17	119,011,987	71,097,205
Total Current Liabilities			
Total Liabilities (B)		119,011,987	71,097,205
Net Assets (A-B)		230,655,884	268,941,715
Represented by:			
Accumulated surplus / Deficit		(101,076,389)	(60,340,558)
Capital Fund		331,732,273	331,732,273
Net Assets		230,655,884	268,941,715

Chuka Hospital's financial statements were approved on **23rd July 2024** and signed by:



.....
CPA Judith Muthoni
Accountant
ICPAK No:21856



.....
Dr. Maureen Ogeto
Medical Superintendent

**Chuka County Referral Hospital (Tharaka Nithi County Government
Annual Report and Financial Statements
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10. Statement of Changes in Net Asset for The Year Ended 30 June 2024

Description	Accumulated Surplus / Deficit	Capital Fund	Total
As at July 1, 2022			
Transfer to CRF	(72,149,673)		(72,149,673)
Surplus / (Deficit) for the year	11,809,115		11,809,115
Recognize account payable B/F			
Recognize PPE		331,732,273	331,732,273
As at June 30, 2023	(60,340,558)	331,732,273	268,941,715
At July 1, 2023	(60,340,558)	331,732,273	268,941,715
Recognize Cash and Cash Equivalent	13,852,014		13,852,014
Recognize PPE		331,732,273	331,732,273
Recognize Account Payables B/F	(65,442,910)		(65,442,910)
Surplus /(deficit) for the Year	74,953,307		74,953,307
Transfer to CRF	(124,438,800)		(124,438,800)
As at June 30, 2024	(101,076,389)	331,732,273	230,655,884

**Chuka County Referral Hospital (Tharaka Nithi County Government
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11. Statement of Cash Flows for The Year Ended 30 June 2024

Description	Note	FY 2023/24	FY 2022/23
		Ksh	Ksh
Cash flows from operating activities			
Receipts			
Rendering of services- Medical Service Income		112,670,297	89,275,379
Total Receipts		112,670,297	89,275,379
Payments			
Employee costs			
Use of Goods and Services			
Transfer to CRF		124,438,800	72,149,673
Total Payments		124,438,800	72,149,673
Adjusted for:			
Changes in Account Receivables		(11,105,557)	(3,282,089)
Changes in Account Payables			
Net Adjustments		(11,105,557)	(3,282,089)
Net cash flows from Operating Activities		(11,768,503)	17,125,706
Cash flows from investing activities			
Purchase of property, plant, equipment			
Net cash flows used in investing activities			
Net increase / (decrease) in cash and Cash Equivalents		(13,768,502)	13,843,617
Cash and cash equivalents as at 1 July 2023	14	13,852,014	0
Cash and cash equivalents as at 30 June 2024		83,512	13,843,617

Chuka County Referral Hospital (Tharaka Nithi County Government)
 Annual Report and Financial Statements
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12. Statement of Comparison of Budget and Actual Amounts for Year Ended 30 Jun 2024

Description	Original budget	Adjustments	Final Budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Ksh	Ksh	Ksh	Ksh	Ksh	
Revenue						
Medical Service Income				125,057,944		%
Total income	0	0	0	125,057,944		%
Expenses						
Employee Costs				398,208,516		%
Use of Goods and Services				94,207,184		%
Surplus/deficit for the Year				367,357,756		%
Capital expenditure						

Explanation Note

The Hospital did not have separate budget and the expenditure was contained in the approved County Executive budget hence the were no budget figure reported

Chuka County Referral Hospital (Tharaka Nithi County Government)
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13. Notes to the Financial Statements

1. General Information

Chuka County Referral Hospital is established by and derives its authority and accountability from Tharaka Nithi County Health and Sanitation Act, 2021. The entity is wholly owned by the Tharaka Nithi County Government and is domiciled in Tharaka Nithi County in Kenya. The entity's principal activity is provision of medical services both inpatient and outpatients.

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, are disclosed. 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.

Chuka County Referral Hospital (Tharaka Nithi County Government)
Annual Report and Financial Statements
For The Year Ended 30th June 2024

Notes to the Financial Statements (Continued)

3. Adoption of New and Revised Standards

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

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

ii) Early adoption of standards

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

Chuka County Referral Hospital (Tharaka Nithi County Government)
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Notes to the Financial Statements (Continued)

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.

Chuka County Referral Hospital (Tharaka Nithi County Government)
Annual Report and Financial Statements
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Notes to the Financial Statements (Continued)

b. Taxes

Sales tax/ Value Added Tax

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

- a. 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.
- b. 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.

c. 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.

d. Research and development costs

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

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- The asset will generate future economic benefits or service potential

Chuka County Referral Hospital (Tharaka Nithi County Government)
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- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development.

Notes to the Financial Statements (Continued)

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

e. Financial instruments

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

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

Notes to the Financial Statements (Continued)

a. Financial assets

Classification of financial assets

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

Subsequent measurement

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

Amortized cost

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

Chuka County Referral Hospital (Tharaka Nithi County Government)
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Notes to the Financial Statements (Continued)

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Notes to the Financial Statements (Continued)

b. Financial liabilities

Classification

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

c. 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.

d. 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.

Chuka County Referral Hospital (Tharaka Nithi County Government)
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Notes to the Financial Statements (Continued)

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.

e. 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.

f. Contingent liabilities

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

g. 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.

h. Nature and purpose of reserves

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

Chuka County Referral Hospital (Tharaka Nithi County Government)
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Notes to the Financial Statements (Continued)

i. 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.

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Notes to the Financial Statements (Continued)

j. Related parties

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

k. Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Hospital recognizes that asset when, and only when, it controls or regulates the services. The operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual 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.

l. 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.

m. Comparative figures

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

Chuka County Referral Hospital (Tharaka Nithi County Government)
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n. 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.

Chuka County Referral Hospital (Tharaka Nithi County Government)
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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. Provisions are measured at the management's best estimate of the expenditure required to settle the

Chuka County Referral Hospital (Tharaka Nithi County Government)
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obligation at the reporting date and are discounted to present value where the effect is material.

Notes to the Financial Statements (Continued)

6. In Kind Transfers from the County Government

Description	FY 2023/24	FY 2022/23
	Ksh	Ksh
Salaries and wages	396,035,288	372,129,780
Medical Costs	40,428,899	
General Expenses	27,373,200	
Repairs and Maintenances	398,100	
Acquisition of Assets (PPE)	2,450,000	
Total	466,685,487	372,129,780

7. Rendering of Services-Medical Service Income

Description	FY 2023/24	FY 2022/23
	Ksh	Ksh
Hospital Fees and Charges	112,670,297	89,275,379
Total	112,670,297	89,275,379

8. Medical / Clinical Costs

Medical related clinical costs	FY 2023/2024	FY 2022/2023
	Ksh	Ksh
Dental costs/ materials	543,933	0
Laboratory chemicals and reagents	9,211,229	3,173,000
Food and Ration	15,515,440	7,168,500
Dressing and Non-Pharmaceuticals	3,374,000	8,611,875
Pharmaceutical supplies	13,209,697	2,948,292
X-Ray/Radiology supplies	2,852,000	0
Total medical/ clinical costs	44,706,299	22,301,667

9. Employee Costs

Description	FY 2023/24	FY 2022/23
	Ksh	Ksh
Salaries and Wages	398,208,516	405,959,760
Total grants in kind	398,208,516	405,959,760

10. Depreciation and Amortization Expense

Description	FY 2023/24	FY 2022/23
	Ksh	Ksh

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Depreciation	8,976,777	10,093,459
Total	8,976,777	10,093,459

Notes to the Financial Statements (Continued)

11. Repairs and Maintenance

Description	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
Medical equipment	3,010,000	1,562,045
Total	3,010,000	1,562,045

12. General Expenses

Description	FY 2023/2024	FY 2022/2023
	Ksh	Ksh
Bank charges	0	
Consultancy fees	10,952,588	
Contracted services	21,627,880	
Electricity expenses	8,447,854	
Fuel and Lubricants	135,000	
Water and sewerage costs	8,337,563	
Total General Expenses	49,500,885	10,197,558

13. Funds Transfer to CRF

Description	FY 2023/24	FY 2022/23
	Ksh	Ksh
Revenue Transfer	124,438,800	72,149,673
Total	124,438,800	72,149,673

14. Cash and Cash Equivalent

Description	FY 2023/24	FY 2022/23
	Ksh	Ksh
Chuka District Hospital Account - Family Bank A/C 054000011533	2,123	13,843,617
M-pesa Till Number -22287	81,389	
Total	81,512	13,843,617

15. Account Receivable from Exchange Transactions

Description	FY 2023/24	FY 2022/23
	Ksh	Ksh
NHIF	14,387,646	3,282,089

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Total	14,387,646	3,282,089
Changes in Account Receivable	11,105,557	

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Notes to Financial Statements Continued

16. Property, Plant and Equipment

Description	Buildings	Medical equipment	Civil Works and Infrastructure	Total
	Ksh		Ksh.	Ksh
At 1st July 2023	329,282,273	3,724,400		333,006,673
Additions			11,166,817	11,166,817
Disposals				
Transfer/adjustments				
At 30th June 2024	329,282,273	3,724,400	11,166,817	344,173,490
Depreciation and Impairment				
At 1st July 2023	8,232,057	465,550	1,395,852	10,093,459
Depreciation	8,232,057	465,550	279,170	8,976,777
Disposals				
At 30th June 2024	16,464,114	931,100	1,675,023	19,070,236
Net Book Values as At 30th June 2024	312,818,159	2,793,300	9,491,794	325,103,254

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17. Trade and Other Account Payables

Description	FY 2023/2024		FY 2022/2023	
	Ksh		Ksh	
Trade Payables	85,482,907			
Employee dues	33,529,080			
Total trade and other payables	119,011,987		71,097,205	
Aging analysis:	FY 2023/2024	% of the Total	FY 2023/2024	% of the Total
Under one year	92,645,069	78%	46,806,135	72%
1-3 years	24,425,719	21%	17,390,875	26%
Over 3 years	1,941,199	2%	1,245,900	2%
Total	119,011,987	100%	65,442,910	100%

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18. 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:

Description	Total amount	Fully performing	Past due	Impaired
	Ksh.	Ksh.	Ksh.	Ksh.
At 30 June 2023				
Receivables from exchange transactions	3,282,089	3,282,089		
Receivables from –non-exchange transactions	0	0		
Bank balances	13,843,617	13,843,617		
Total	17,125,706	17,125,706		
At 30 June 2024				
Receivables from exchange transactions	14,387,648	14,387,648		
Receivables from –non-exchange transactions	0	0		
Bank balances	2,123	2,123		
M-pesa Balances	81,389	81,389		
Total	14,471,160	14,471,160		

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(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
	Ksh.	Ksh.	Ksh.	Ksh.
At 30 June 2023				
Trade payables		65,442,910		65,442,910
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
Total		65,442,910		65,442,910
At 30 June 2024				
Trade payables		119,011,987		119,011,987
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
Total		119,011,987		119,011,987

(iii) Market risk

The hospital has put in place Hospital Management Team 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

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affect the entity's income or the value of its holding of financial instruments. The objective of market

Notes to the Financial Statements (Continued)

risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(iv) Capital Risk Management

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

Description	FY 2023/24	FY 2022/23
	Ksh.	Ksh.
Revaluation reserve		
Retained earnings	(101,076,389)	(60,340,558)
Capital reserve	331,732,273	329,282,273
Total funds	230,655,884	268,941,715
Total borrowings	119,011,987	65,442,910
Less: cash and bank balances	83,512	13,843,617
Net debt/ (excess cash and cash equivalents)	118,928,475	51,599,293
Gearing	52%	19%

Management of interest rate risk

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

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19. 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.

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

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

Description	FY 2023/24	FY 2022/23
	Ksh.	Ksh.
Transactions with related parties		
a) Expenses incurred on behalf of related party		
In Kind Transfers	466,685,487	439,502,584
Total	466,685,487	439,502,584
Revenue Transfers		
Transfer to CRF	124,438,800	72,149,673
Total	124,438,800	72,149,673

20. Events after the Reporting Period

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

21. Ultimate and Holding Entity

The entity is a State Corporation/ or a Semi- Autonomous Government Agency under the Department of Health Services. Its ultimate parent is the County Government of Tharaka Nithi.

22. Currency

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