

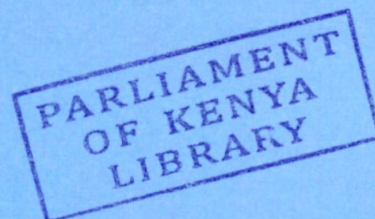
REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF



THE AUDITOR-GENERAL

ON

KATULANI LEVEL 4 HOSPITAL

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

COUNTY GOVERNMENT OF KITUI

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



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY
31 DEC 2024
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KATULANI Level 4 HOSPITAL
(Kitui County Government)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2024

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

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1. Acronyms & Glossary of Terms

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

CSR	Corporate Social Responsibility
OSHA	Occupational Health & Safety Act
PFMA	Public Financial Management Act
MED SUP	Medical Superintendent
Fiduciary Management	Key management personnel who have financial responsibility in the Katulani level 4 hospital.
KSCH	Katulani sub county hospital

2. Key Katulani level 4 hospital Information and Management

(a) Background information

Katulani level 4 Hospital is a level (4) hospital established under gazette notice 768 dated 4th Feb 2020 and is domiciled in Kitui County under the Health and Sanitation Department. The hospital is governed by a Board of Management.

(b) Principal Activities

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

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

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

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

(c) Key Management

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

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

(d) Fiduciary Management

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

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

(e) Fiduciary Oversight Arrangements

[Here, provide a high-level description of the key fiduciary oversight arrangements covering (say)]

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

- Other oversight committees

Key Katulani level 4 hospital Information and Management

(f) Katulani level 4 hospital Headquarters

P.O. Box 1355-90200
Katulani Level IV Hospital
Katulani, Kitui

(g) Katulani level 4 hospital Contacts

Telephone: 0701273066
E-mail: katulanihosi@gmail.com
Website: www.kitui.go.ke

(h) Katulani level 4 hospital Bankers

KCB BANK
Kitui Branch
P. O. Box - 90200
Kitui, Kenya

(i) Independent Auditors

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

(j) Principal Legal Adviser

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





(k) County Attorney

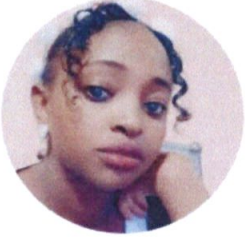



P.O. Box 33-90200
Kitui, Kenya

3. The Board of Management

Ref	Directors	Details
1.	FELIX MUTIO	Chairperson
2.	DR.ALEX OWINO	Medical Superintendent/Secretary
3.	STEPHEN OKUMU	Kitui Rural Sub County Administrator
4.	PETER MWOLOLO	Representative, Professional Groups
5.	MUNAH AHMED	Representative, Women Groups
6.	JOSEPHINE SYOKAU	Representative, Faith Based Organizations
7.	SERA KAVUTHA MAKAU	Representative, NYC
8.	BENSON MUTINDA MWOVI	Representative, PLWDs
9.	ANN MUTINDI	Representative, Business Community

4. Key Management Team

<p>1.</p>	<p>Dr. Dennis Nyariki</p> <p>Academic: Bachelor of Medicine and Bachelor of surgery</p>	<p>Medical Superintendent</p> 
<p>2.</p>	<p>Margaret Kavembe</p> <p>Academic: Bachelor of commerce-finance</p>	<p>Head of Finance</p> 
<p>3.</p>	<p>Jeremiah kasungi</p> <p>Academic: Masters of public health .</p>	<p>Head of Nursing</p> 
<p>4.</p>	<p>Rose Mumbe</p> <p>Academic: Bachelor of purchasing and supplies management</p>	<p>Head of supply chain</p> 

<p>5.</p>	<p>Gladys kavengi</p> <p>Academic: Diploma in Medical Laboratory sciences</p>	<p>Head of Laboratory</p> 
<p>6.</p>	<p>Dr. Albert Muthengi</p> <p>Academic: Bachelor of pharmacy</p>	<p>Head of Pharmacy</p> 
<p>7.</p>	<p>James Mulu</p> <p>Academic: Diploma and currently doing Bachelor of science in clinical medicine</p>	<p>Head of Clinical Department</p> 
<p>8.</p>	<p>Sammy Mwami</p> <p>Academic: Bachelor of science in Biochemistry</p>	<p>Health Administrative Officer</p> 

5. Chairman’s Statement

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

.....

Name

Chairman to the Board

6. Report of The Medical Superintendent

Operation environment.

Am delighted to report on the performance of the facility for the fiscal year 2023-2024. The facility's performance has shown much resilience through the tough economic times occasioned by the rising inflation, recurrent healthcare workers' strikes and inadequate funding. The cash flows were relatively stable in the first half of the fiscal year. This however took a downturn in the second half due to prolonged, sustained healthcare workers' industrial action involving key cadres in the service delivery. The revenues generated were on the lower side of the projected returns. This could be owed to the adverse synergistic effect of the challenges mentioned earlier, coupled with cuts on the Facility Improvement Funds (FIF), which did not consider the inflation index, thereby, causing a major destabilisation and imbalance in the operational costs and available spending resource equilibrium. This reduction in spending power stalled most planned finance-intensive activities and also resulted in a rise in accruals on revenue expenditures.

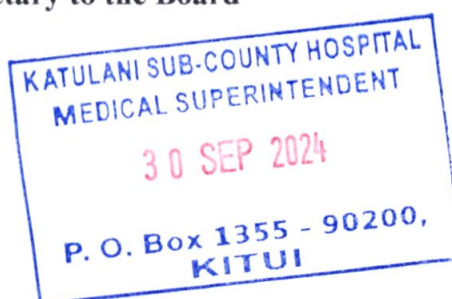
These challenges notwithstanding, we managed to procure furniture to replace the written off, and repaired the rest in the facility. We also managed to liaise with Kenya Power and lighting company Limited to review the power supply line to the facility which substantively reduced the frequent power outages that affected service delivery. Further, we revived the hospital generator to serve as the main power back-up as we continue pursuing for solar installation. With more funds to the facility, we will be able to tone down on the rationing thereof. We also managed to install gutters for water harvesting hence shifting from sourcing water from water boozer delivery thus cutting operational costs. Many gains have been made that could not be listed here, thanks to the teamwork at the facility and the support from the CHMT. Generally, there has been positive efforts from all relevant stakeholders and partners towards improving the general outlook and optimising on the services rendered to our catchment area. With this, a better future for the facility lies on a solid foundation with great promise.

Future plans.

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



Name *Dr. Dennis Nyamini*
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.

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

Pillar /theme/issue 1: Revenue increase.

Pillar/theme/issue 2: Increase customer satisfactory.

Pillar/theme/issue 3: Enhance institutional capacity.

KSCH develops its annual work plans based on the above 3 pillars/Themes/Issues. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The KSCH achieved its performance targets set for the FY 2023/2024 period for its 3 strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements	
Pillar/ theme/ issue 1: Increase Revenue	To increase our services.	1.Increased services. 2.Increase customers. 3.Timely collection of revenue from patients	Increased revenue	Improvement in collection efficiency.	
Pillar/ theme/ issue 2: Increased customer satisfactory.	Good customer relations	1. increased customer participation 2. Prompt handling	Good customer care services. Implement an effective feedback	Good customer relation	

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

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

8. Corporate Governance Statement

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

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

Membership/Board of Directors.

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

The committee consists of: -

1. The chairperson Mr Felix Mutio who was nominated by the County Executive Committee Member for Health and Sanitation and approved by the Governor Kitui County
2. The secretary to the committee Dr. Dennis Nyariki who is the Medical superintendent of the hospital
3. The Sub-County Administrator Mr Samuel Wambua
4. The Business community representative Mrs Ann Mutindi
5. Representative of professional groups Mr Peter Mwololo
6. Representative of womens groups- Munah Ahmed.
7. Representative of Faith based organisations- Mrs. Josephine Syokau
8. Representative of Youth through the National Youth council –Sera Kavutha Makau
9. Representative of people living with disability – Mr. Benson Mutinda Mwovi.

Succession

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

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

Funds of the Committee

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

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

Meetings of the Committee

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

Functions of the Hospital Management Committee

The committee shall –

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

Core responsibilities of the Katulani sub county hospital Management Committee

The responsibilities of the committee are outlined as follows: -

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

(j) Regulatory compliance

Vacation of office and remuneration of the committee members.

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

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

Remuneration: -

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

Relationship between the Hospital Management team and Hospital Management Committee

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

9. Management Discussion and Analysis

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

Clinical/operational performance

Katulani Sub County Hospital being geographically centrally located within Kitui Central receives patients from Mulango Ward and its environment.

The Maternity ward has an 18-beds capacity while the inpatient rooms are 12 beds capacity

The facility also has a 2-bed accident and emergency room used for casualty patients.

SPECIALISED CLINIC ATTENDANCE

The following line graphs show the special clinics attendance for year ended 30th June 2024 including Medical outpatient clinic (MOPC), Comprehensive care clinic (CCC) for HIV patients and Tuberculosis (TB) clinic.

There is a significant drop in MOPC clients towards the start of the first quarter which can be explained by expired Kitui county health insurance(K-CHIC) cards for the patients and thus could not access health care since the patients did not have any other form of health insurance to cover for their care.

Notes

Financial performance that includes

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

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

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

FINANCIAL YEAR	2022/2023	2023/2024
	Kshs.	Kshs.
Transfers from the County Government	6,241,603.45	5,105,000
Income From Rendering Services	2,873,060	4,965,148
Expenditure	9,099,690	6,647,046
Difference	14,973.45	3,423,102

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

The summary breakdown is as follows;

Employee cost	Ksh.	826,190
Medical cost	Ksh	1,741,570
Repair and Maintenance	Ksh	533,024
General Cost	Ksh.	2,123,292
Refund to County government	Ksh.	1,422,970
<i>Total Expenditure</i>	<i>Ksh.</i>	<u>6,647,046</u>

10. Environmental And Sustainability Reporting

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

i) Sustainability strategy and profile

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

ii) Environmental performance

The area around the hospital receives fair amount of rainfall.

iii) Employee welfare

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

Vii. Market place practices-

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

a) Responsible competition practice.

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

b) Responsible Supply chain and supplier relations

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

c) Responsible marketing and advertisement

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

d) Product stewardship

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

iv) Corporate Social Responsibility / Community Engagements

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

11. Report of The Board of Management

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

Principal activities

The principal activities of the Katulani level 4 hospital are to provide health care.

Results

The results of the Katulani level 4 hospital for the year ended June 30 2024 are set out on pages 1 to 6

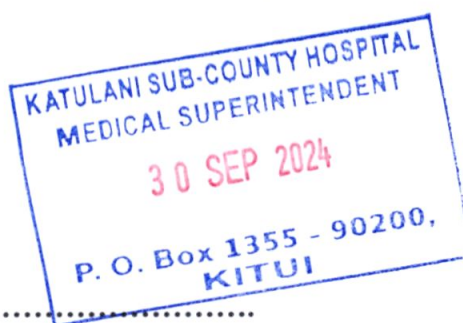
Board of Management

The members of the Board who served during the year are shown on page Viii. During the year, 2024 director(s) retired/ resigned, and no director (s) were appointed with effect from date 6th October 2023.

Auditors

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

By Order of the Board



.....
Name *Dr. Dennis Nyariki*
Secretary to the Board

12. Statement of Board of Management's Responsibilities

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

The Board of Management is responsible for the preparation and presentation of the *Katulani level 4 hospital's* financial statements, which give a true and fair view of the state of affairs of the *Katulani level 4 hospital* for and as at the end of the financial year (period) ended on June 30, 2024. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the *Katulani level 4 hospital*, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the *Katulani level 4 hospital*; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

The Board of Management accepts responsibility for the *Katulani level 4 hospital's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (*– entities should quote applicable legislation as indicated under*). The Board members are of the opinion that the *Katulani level 4 hospital's* financial statements give a true and fair view of the state of *Katulani level 4 hospital's* transactions during the financial year ended June 30, 2024, and of the *Katulani level 4 hospital's* financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the *Katulani level 4 hospital*, which have been relied upon in the preparation of the *Katulani level 4 hospital's* financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Directors have assessed the Fund's ability to continue as a going concern (*disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements*) OR

Nothing has come to the attention of the Board of management to indicate that the *Katulani level 4 hospital* will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Hospital's financial statements were approved by the Board on 30/9/2024 and signed on its behalf by:

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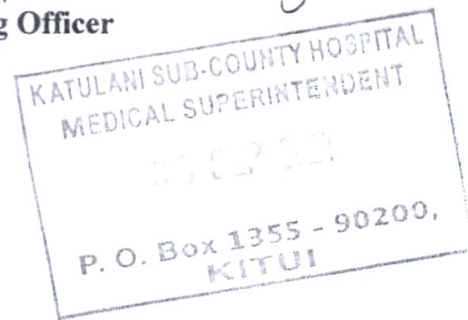
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Katulani level 4 Hospital (Kitui County Government)
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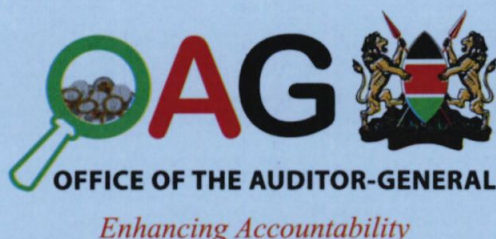
Name:
Chairperson
Board of Management

Name: Dr. Dennis Nyariki
Accounting Officer



REPUBLIC OF KENYA

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Email: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

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

PREAMBLE

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

- A. Report on the 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 Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on the 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 the 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 Katulani 4 Hospital – County Government of Kitui set out on pages 1 to 39, which comprise the statement of financial

position as at 30 June, 2024 and the statement of financial performance, statement of changes in net assets, statement of cash flows and the 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 Hospital as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, the County Governments Act, 2012 and the Health Act, 2017.

Basis for Qualified Opinion

Non-Disclosure of Property, Plant and Equipment

The statement of financial position reflects Nil balance in respect of property, plant and equipment. However, the facility had movable and non-movable assets of undetermined value relating to land, buildings, furniture and fittings and computers which were not disclosed in the financial statements.

Further, the Hospital is built on a three (3) acres parcel of land of whose ownership documents were not provided for audit. In addition, the Hospital had two (2) motorcycles whose ownership documents were not provided for audit.

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

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

Emphasis of Matter

Budgetary Control and Performance

The summary statement of comparison of budget and actual amounts reflects revenue budget and actual on comparable basis amounts of Kshs.11,498,688 and Kshs.10,070,148 respectively, resulting to under-funding of Kshs.1,428,540 or 12% of the budget. Similarly, the statement reflects actual expenditure of Kshs.6,647,046 against actual receipts of Kshs.10,070,148 resulting to under-utilization of Kshs.3,423,102 or 34% of the receipts.

The under-funding and under-utilization affected the planned activities and may have impacted negatively on services delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matter

Key audit matters are those matters that, in my professional judgement, 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 Issues

In the audit report of the previous year, several issues were raised under Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the issues are yet to be deliberated by the County Assembly.

Other Information

Management is responsible for the other information set out on page iii to xix which comprise of the key entity information and management, the Board of Management, Chairman's Statement, Report of the Medical Superintendent, Statement of Performance against Predetermined Objectives, Corporate Governance Statement, Management Discussion and analysis, Environmental and Sustainability Reporting, Report of the Board of management and Statement of board of management's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Deficiencies in the Implementation of Universal Health Coverage (UHC)

Review of Hospital records and interviews on verification of services offered, equipment used and medical specialists in the hospital at the time of audit in January, 2025, revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits of 88% of the staff establishment as shown in table 5 below:

Service	Level 4 Hospital requirement	Actual in the Hospital	Variance	Percentage (%) achieved
STAFFING REQUIREMENT				
Medical officers	16	1	15	6%
Anesthesiologists	2	0	2	0%
General surgeons	2	0	2	0%
Gynecologists	2	0	2	0%
Pediatricians	2	0	2	0%
Radiologists	2	0	2	0%
Kenya Registered Community Health Nurses	75	12	63	16%
TOTAL	101	13	88	13%

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

EQUIPMENT & MACHINES				
Bed capacity	150	34	116	23%
Incubators (Newborn)	5	0	5	0%
COTS	5	2	3	40%
Resuscitaire in theatre	1	0	1	0%
Resuscitaire in labour ward	2	1	1	50%
Functional ICU Beds	6	0	6	0%
HDU Beds	6	0	6	0%
Renal unit with dialysis machines	5	0	5	0%
Functional operating theaters Maternity and General	2	0	2	0%

These deficiencies contravene the First Schedule of Health Act, 2017 and imply that accessing the highest attainable standard of health, which includes the right to health care services, including reproductive health care as required by Article 43(1) of the Constitution of Kenya, 2010 may not be achieved.

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

2.0 Misleading Classification of the Katulani Hospital

Katulani Hospital is reported as a level 4 hospital according to the financial statement submitted for audit on 30 September, 2024. However, Gazette Notice 768 dated 4 February, 2020 classifies the facility as a level 3B hospital and not level 4 thus misleading the users of the financial statement contrary to the Gazette Notice.

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

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

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

Conclusion

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

Basis for Conclusion

1.0 Outstanding National Hospital Insurance Fund (NHIF) Claims

The statement of financial position reflects receivables from exchange transactions balance of Kshs.1,301,750 in respect of medical services receivables which comprise of NHIF claims outstanding as at 30 June, 2024. However, Management did not demonstrate with evidence efforts made to recover the outstanding amount.

In the circumstances, the effectiveness on internal controls on debt recovery could not be confirmed.

2.0 Expiry of Medical Supplies

The statement of financial position reflects inventories balance of Kshs.1,035,468 as disclosed in Note 15 to the financial statements. However, physical verification in the month of January, 2025 revealed that drugs worth Kshs.173,187, non-pharm drugs of Kshs.756,566 and 1,228 units of HIV-TB drugs were expired and phased out for the year under audit. Further, it was noted that disposal of expired drugs had not taken place since the year 2016.

In the circumstances, the effectiveness on internal controls on inventories could not be confirmed.

3.0 3.0 Lack of Hospital Management Board

Audit verification revealed that the Hospital did not have a Board of Management in place contrary to Section 9 of the Facilities Improvement Financing Act, 2023. The absence of a Board of Management, which is critical for providing strategic direction and oversight, raises concerns about the Hospital's ability to effectively pursue and achieve its strategic objectives. Management reported that the Kitui County Facilities Improvement Financing Bill, 2024 which will enable the Hospital address the issue is at the County Assembly and it is yet to be passed to law.

In these circumstances, the lack of a governing body hinders the Hospital's capacity to meet its strategic objectives.

The audit was conducted in accordance with (ISSAIs) 2315 and 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 Hospital Board of Management

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

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

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

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

Those charged with governance are responsible for overseeing the Hospital's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective

processes and systems are in place to address key roles and responsibilities in relation to governance and risk management and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

10 January, 2025

15. Statement of Financial Position for The Year Ended 30 June 2024

Description	Note	2023/2024	2022/2023
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	13	2,222,241	1771.6
Receivables from exchange transactions	14	1,301,750	-
Receivables from non-exchange transactions		-	
Inventories	15	1,035,468	1,525,103
Total Current Assets		4,559,459	1,526,874.60
			-
Non-current assets			-
Property, plant, and equipment		-	-
Total Non-current Assets			-
Total assets (A)		4,559,459	1,526,874.60
Liabilities			
Current liabilities			
Trade and other payables	16	1,058,854	782,160
Total Current Liabilities		1,058,854	782,160
Non-current liabilities			
Total Non-current liabilities			-
Total Liabilities (B)		1,058,854	782,160
			-
Net assets (A-B)		3,500,805	744,714.60
Represented by:			
Revaluation reserve		-	-
Accumulated surplus/Deficit		3,500,805	77,703.45
Capital Fund			667,011.15
Net Assets		3,500,805	1,526,874.60

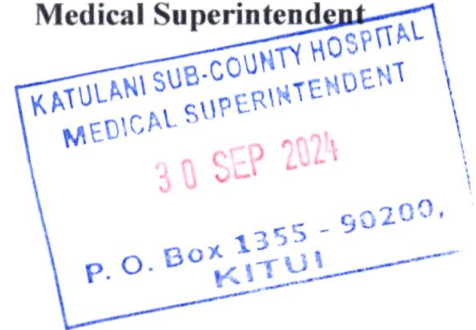
The Hospital's financial statements were approved by the Board on 30/9/2024 and signed on its behalf by:

.....
Chairman
Board of Management

[Signature]
.....
Head of Finance
ICPAK No: 19698



[Signature]
.....
Medical Superintendent



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

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2022		62,530		62,530
Revaluation gain		-	-	-
Surplus/(deficit) for the year		14,973.45	-	14,973
Capital/Development grants		-	-	-
As at June 30, 2023	-	77,503.45		77,503
				-
At July 1, 2023	-	77,503	-	77,503
Revaluation gain				-
Surplus/(deficit) for the year		3,423,102		3,423,102
Capital/Development grants				-
At June 30, 2024	-	<u>3,500,805</u>	<u>-</u>	<u>3,500,805</u>

(Note:

1. For items that are not common in the financial statements, the Katulani level 4 hospital should include a note on what they relate to – either on the face of the statement of changes in equity/net assets or among the notes to the financial statements.
2. Prior year adjustments should have an elaborate note describing what the amounts relate to. In such instances, a restatement of the opening balances needs to be done.)

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

Description	Note	2023/2024	2022/2023
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government	6	5,605,000	6,241,603.45
Rendering of services- Medical Service Income	8	3,640,930	2,873,060
Total Receipts		9,245,930	9,114,663.45
Payments			
Medical/Clinical costs	9	1,936,500	2,817,605.00
Employee costs	10	889,190	857,000.00
Repairs and maintenance	11	558,024	723,225.00
General expenses	12	2,281,146	1,828,800.00
Refunds to the County Government	8	1,422,970	2,873,060.00
Finance cost			13,201.95
Total Payments		7,087,830	9,112,195
Net cash flows from operating activities		2,158,100	1,771.60
Cash flows from investing activities			
Net cash flows used in investing activities			
Cash flows from financing activities			
Net cash flows used in financing activities			
Net increase/(decrease) in cash and cash equivalents		2,158,100	(1,576.40)
Cash and cash equivalents as at July 1, 2023		64,141	3,348.15
Cash and cash equivalents as at June 30, 2024	13	2,222,241	1,771.60

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Transfers from the County Government	6,533,540		6,533,540	5,105,000	1,428,540	78%
Rendering of services- Medical Service Income	4,965,148		4,965,148	4,965,148	-	100%
Total income	11,498,688	-	11,498,688	10,070,148	1,428,540	88%
Expenses						
Medical/Clinical costs	2,678,040		2,678,040	1,741,570	936,470	65%
Employee costs	895,000		895,000	826,190	68,810	92%
Repairs and maintenance	734,000		734,000	533,024	200,976	73%
General expenses	2,226,500		2,226,500	2,123,292	103,208	95%
Refunds	4,965,148		4,965,148	1,422,970	3,542,178	29%
Total Payments	11,498,688	-	11,498,688	6,647,046	4,851,642	58%
Surplus for the period	-	-	-	3,423,102	(3,423,102)	

19. Notes to the Financial Statements

1. General Information

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

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 *Katulani level 4 hospital's* accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note xx The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *Katulani level 4 hospital*. The financial statements have been prepared in accordance with the PFM Act, and *(include any other applicable legislation)*, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

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

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

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

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

Standard	Effective date and impact:
Plant and Equipment	<p>infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p> <p><i>State the expected impact of the standard to the Katulani level 4 hospital if relevant</i></p>
IPSAS 46 Measurement	<p><i>Applicable 1st January 2025</i></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><i>State the expected impact of the standard to the Katulani level 4 hospital if relevant</i></p>
IPSAS 47- Revenue	<p><i>Applicable 1st January 2026</i></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 Katulani level 4 hospital shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p><i>State the expected impact of the standard to the Katulani level 4 hospital if relevant</i></p>

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

iii) Early adoption of standards

The Katulani level 4 hospital did not early – adopt any new or amended standards in the financial year or *the Katulani level 4 hospital adopted the following standards early*

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 *Katulani level 4 hospital* and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the asset that has been acquired using such funds.

ii) Revenue from exchange transactions

Rendering of services

The Katulani level 4 hospital recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably, and it is probable that the economic benefits or service potential associated with the transaction will flow to the Katulani level 4 hospital.

Interest income

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

Rental income

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

Notes to the Financial Statements (Continued)

b. Budget information

The original budget for FY 2023/2024 was approved by Board on ***Katulani level 4 hospital***. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Katulani level 4 hospital upon receiving the respective approvals in order to conclude the final budget. Accordingly, the ***Katulani level 4 hospital*** recorded additional appropriations of ***Katulani level 4 hospital*** on the FY 2023/2024 budget following the Board's approval. The ***Katulani level 4 hospital's*** budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page 8 under section 8 of these financial statements.

c. Taxes

Sales tax/ Value Added Tax

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

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

Notes to the Financial Statements (Continued)

d. Investment property

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

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

e. Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Katulani level 4 hospital recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Notes to the Financial Statements (Continued)

f. Leases

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Katulani level 4 hospital. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Katulani level 4 hospital also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

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

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Katulani level 4 hospital will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Katulani level 4 hospital. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

g. Intangible assets

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

Notes to the Financial Statements (Continued)

h. Research and development costs

The Katulani level 4 hospital expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Katulani level 4 hospital can demonstrate:

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

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

i. Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The Katulani level 4 hospital does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the hospital's financial statements. (amend as appropriate).*

A financial instrument is any contract that gives rise to a financial asset of one Katulani level 4 hospital and a financial liability or equity instrument of another Katulani level 4 hospital. At initial recognition, the Katulani level 4 hospital measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Notes to the Financial Statements (Continued)

Financial assets

Classification of financial assets

The Katulani level 4 hospital classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the Katulani level 4 hospital's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cash flows 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 Katulani level 4 hospital has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the Katulani level 4 hospital classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

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

Notes to the Financial Statements (Continued)

Fair value through net assets/ equity

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

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the Katulani level 4 hospital manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Trade and other receivables

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

Impairment

The Katulani level 4 hospital assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The Katulani level 4 hospital recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note xx*.

Financial liabilities

Classification

The Katulani level 4 hospital classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

Notes to the Financial Statements (Continued)

j. Inventories

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

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

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

After initial recognition, inventory is measured at the lower cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower cost and the current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Katulani level 4 hospital.

k. Provisions

Provisions are recognized when the Katulani level 4 hospital has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Katulani level 4 hospital expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

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

Notes to the Financial Statements (Continued)

l. Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The Katulani level 4 hospital recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the Katulani level 4 hospital will incur in fulfilling the present obligations represented by the liability.

m. Contingent liabilities

The Katulani level 4 hospital does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

n. Contingent assets

The Katulani level 4 hospital does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Katulani level 4 hospital in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

o. Nature and purpose of reserves

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

p. Changes in accounting policies and estimates

The Katulani level 4 hospital recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

Notes to the Financial Statements (Continued)

q. Employee benefits

Retirement benefit plans

The Katulani level 4 hospital provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an Katulani level 4 hospital pays fixed contributions into a separate Katulani level 4 hospital (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump-sum payments or increased future contributions on a proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

r. Foreign currency transactions

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

s. Borrowing costs

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

t. Related parties

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

Notes to the Financial Statements (Continued)

u. Service concession arrangements

The Katulani level 4 hospital analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the *Katulani level 4 hospital* recognizes that asset when, and only when, it controls or regulates the services. The operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the *Katulani level 4 hospital* also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

v. Cash and cash equivalents

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

w. Comparative figures

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

x. Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Katulani level 4 hospital's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Katulani level 4 hospital based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Katulani level 4 hospital. Such changes are reflected in the assumptions when they occur. (IPSAS 1.140)

Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by the Katulani level 4 hospital.
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- The nature of the processes in which the asset is deployed.
- Availability of funding to replace the asset.
- Changes in the market in relation to the asset.

Provisions

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

the obligation at the reporting date and are discounted to present value where the effect is material.

Notes to Financial Statements Continued

6. Transfers from the County Government

Description	FY 2023/2024 22/23	FY 2022/2023
	KShs	KShs
Unconditional grants		
Operational grant	5,105,000	6,241,603.45
Level 4/5 grants	-	-
Unconditional development grants	-	-
Other grants (<i>specify</i>)	-	-
TOTAL	5,105,000	6,241,603.45

6 b Transfers from The County Government

Name of the entity sending the grant	Amount recognized to Statement of financial performance* KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	Comparative Period
			KShs	KShs	KShs
Kitui County Government	5,105,000	-	-	5,105,000	6,241,603.45
Total	5,105,000	-	-	5,105,000	6,241,603.45

(Ensure that the amount recorded above as having been received from the County fully reconciles to the amount recorded by the amount recorded as transferred by the County. An acknowledgement note/receipt should be raised in favour of the sending County Government. The details of the reconciliation have been included under appendix -).

*Amount recognised in the statement of financial performance should be the recurrent grant and the development grant to the extent that there are no conditions attached. Total of column 1 should tie to note 6(the part on unconditional grants).

Notes to Financial Statements Continued

7. In Kind Contributions from The County Government

Description	2023/2024	2022/2023
	KShs	KShs
Salaries and wages	52,507,896	56,613,791
Medical supplies-Drawings Rights (KEMSA)	2,723,443	
Pharmaceuticals and Non-Pharmaceutical Supplies (other suppliers)	3,780,765	
Total grants in kind	59,012,104	56,613,791

8. Rendering of Services-Medical Service Income

Description	2023/2024	2022/2023
	Kshs	Kshs
Pharmacy	362,345	
Rendering of service (nhif and mpesa)		2,873,060
consultation	276,943	
Orthopedic	198,920	
Laboratory	151,590	
outpatient	40,250	
Registration and Files	4,300	
X-Rays	110,550	
Physiotherapy	16,720	
ultrasound	81,330	
NHIF Services	2,420,450	
Unpaid claim from NHIF	1,301,750	
Total revenue from the rendering of services	4,965,148	2,873,060

Notes:

The deliveries for medical supplies done in US dollars were converted using prevailing exchange rate of Kshs.129.25 as at 30th June 2024.

Notes to the Financial Statements (Continued)

9. Medical/ Clinical Costs

Description	2023/2024	2022/2023
	Kshs	Kshs
Laboratory chemicals and reagents		
Food and Ration	813,370	1,119,885.00
Medical Records	679,500	1,337,700.00
Sanitary and cleansing Materials	248,700	360,020.00
Total medical/ clinical costs	1,741,570	2,817,605.00

10. Employee Costs

Description	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
Salaries, wages, and allowances	692,000	801,000.00
Staff medical expenses and Insurance cover	134,190	56,000.00
Employee costs	826,190	857,000.00

11. Repairs And Maintenance

Description	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
Property- Buildings	533,024	723,225
Medical equipment	-	-
Total repairs and maintenance	533,024	723,225

12. General Expenses

Description	FY 2023/2024	Insert Comparative FY
	Kshs	Kshs
Bank charges	28,942	12,920.00
Conferences and delegations	61,800.	-
Consultancy fees	-	50,000.00
Contracted services	-	-
Electricity expenses	158,600.	-
Fuel and Lubricants	451,000.	333,600.00
Other fuel	260,000.	1,084,280.00
Travel and accommodation allowance	551,900.	-
Printing and stationery	288,000	38,000.00
Water and sewerage costs	81,500	
Skills development levies	-	310,000.00
Internet expenses	241,550.	
Parking charges	-	-
Total General Expenses	2,123,292.	1,828,800.

13. Cash And Cash Equivalents

Description	2023/2024	2022/2023
Financial institution	KShs	KShs
a) Current account		
Kenya Commercial bank	4,281	1,771
Kenya Commercial bank	2,217,960	-
Total	2,222,241	1,771

Notes to the Financial Statements (Continued)

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

Description		2023/2024	2022/2023
Financial institution	Account number	KShs	KShs
a) Current account			
Kenya Commercial bank	1156667747	4,281	1,771
Kenya Commercial bank	1156666392	2,217,960	-
Total		2,222,241	1,771

14.Receivables From Exchange Transactions

Description	2023/2024	2022/2023
	KShs	KShs
Medical services receivables	1,301,750	-
Total receivables	1,301,750	-

13.a Analysis of Receivables From Exchange Transactions

Description	FY 2023/2024		Insert Comparative FY	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	1,301,750	%	-	%
Between 1- 2 years	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (a+b)	-	%	-	%

15.Inventories

Description	FY 2023/2024	FY 2022/2023
	KShs	KShs
Pharmaceutical supplies	703,636	723,256
General supplies	331,832	801,847
Less: provision for impairment of stocks	(-)	(-)
Total	1,035,468	1,525,103

Notes to the Financial Statements (Continued)

16. Trade and other Payables

Description	2023/2024		2022/2023
	KShs		KShs
Trade payables	1,058,854		782,160
Employee dues	-		
Third-party payments (e.g. unremitted payroll deductions)	-		
Total trade and other payables	1,058,854		782,160
Ageing analysis:	2023/2024	% of the Total	2022/2023
Under one year	1,058,854	100%	782,160
1-2 years		%	
Total	1,058,854	100%	782,160

17. Cash Generated from Operations

Description	2023/2024	2022/2023
	KShs	KShs
Surplus for the year before tax	3,423,102	14,973.45
Adjusted for:		
Depreciation		
Non-cash grants received		
Working Capital adjustments		
Increase in inventory	(489,636)	-
Increase in receivables	(1,301,750)	-
Increase in payables	276,694	782,160
Net cash flow from operating activities	1,908,410	797,133.55

Notes to the Financial Statements (Continued)

13. Financial Risk Management

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

(i) Credit risk

The Katulani level 4 hospital has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance

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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 Katulani level 4 hospital's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount		Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023 (previous year)				
Receivables from exchange transactions	-	-	-	-
Receivables from –non-exchange transactions	-	-	-	-
Bank balances	1,771.60		1,771.60	-
Total	1,771.60		1,771.60	-
At 30 June 2024 (current year)				
Receivables from exchange transactions	1,301,750	-	1,301,750	-
Receivables from –non-exchange transactions	-	-	-	-

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Bank balances	2,222,241	-	2,222,241	-
Total	3,523,991	-	3,523,991	-

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 Katulani level 4 hospital has significant concentration of credit risk on amounts due from Katulani level 4 hospital. The board of management sets the hospital's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023				
Trade payables	-	-	782,160	782,160
Total	-	-	782,160	782,160
At 30 June 2024				
Trade payables	-	-	1,058,854	1,058,654
Total	-	-	1,058,854	1,058,654

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 Katulani level 4 hospital on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Katulani level 4 hospital's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

a) Foreign currency risk

The Katulani level 4 hospital has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The carrying amount of the Katulani level 4 hospital's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

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

The Katulani level 4 hospital manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting expected sales proceeds and matching the same with expected payments.

Notes to the Financial Statements (Continued)

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

Foreign currency sensitivity analysis

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

Description	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2024 (previous year)			

b) Interest rate risk

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

Management of interest rate risk

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

Notes to the Financial Statements (Continued)

Sensitivity analysis

The Katulani level 4 hospital analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of financial performance if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs -(2024: KShs -). A rate increase/decrease of 5% would result in a decrease/increase in surplus of KShs -(2024 – KShs -).

iv) Capital Risk Management

The objective of the Katulani level 4 hospital's capital risk management is to safeguard the Hospital's ability to continue as a going concern. The Katulani level 4 hospital capital structure comprises of the following funds:

14. Related Party Balances

Nature of related party relationships

Entities and other parties related to the Katulani level 4 hospital include those parties who have the ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates, and close family members.

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

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

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Description	FY 2023/2024 22/23	FY 2022/2023
	Kshs	Kshs
Transactions with related parties		
a) Services offered to related parties		
Services to -	-	-
Sales of services to -	-	-
Total	-	-
b) Grants from the Government		
Grants from County Government	-	-
Grants from the National Government Entities	-	-
Donations in kind	-	-
Total	-	-
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for -employees	-	-
Payments for goods and services for -	-	-
Total	-	-
d) Key management compensation		
Directors' emoluments	-	-
Compensation to the medical Sup	-	-
Compensation to key management	-	-
Total	-	-

15. Segment Information

(Where an organisation operates in different geographical regions or in departments, IPSAS 18 on segmental reporting requires an Katulani level 4 hospital to present segmental information of each geographic region or department to enable users understand the Katulani level 4 hospital's performance and allocation of resources to different segments)

16. Events after the Reporting Period

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

17. Ultimate and Holding Katulani level 4 hospital

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

18. Currency

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

20. **Appendices**

Appendix 1: Progress on Follow Up of Auditor Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Variance in receivable from exchange transaction	The management has taken note of this gap and records for receivable from exchange transaction will be reported accordingly in the Annual Reports and Financial Statements in the subsequent financial years.	Resolved	2024
2	Non-disclosure of employee cost paid by county government	The hospital management will ensure all employee cost both casual and contracted staff are reported in subsequent financial year	Resolved	2024
3	Undisclosed PPE Balance	The management is committed to communicate with the ministry to perform revaluation process for the Assets.	Not Resolved	2025
4	Non-disclosure of donated drugs.	The management acknowledge the observation and going forward will be disclosing this in kind contribution of supplies	Resolved	2024
5	Failure to prepare Quarterly Revenue Report	The management is committed to work toward preparing revenue quarter report	Not resolved	2025

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		in subsequent financial year.		
6	Non-compliance with the requirement of Universal Health Care	The hospital management is doing a follow-up on complying of Kenya quality model for health policy requirement.	Not Resolved	2025
7	Unutilized medical equipment under managed equipment services	The hospital management is working toward operationalizing some of idle equipment.	Not resolved	2025
8	Failure to maintain a comprehensive asset register.	The hospital management is making a follow-up to ensure copies of the assets valuations and ownership documents are domiciled in the Hospital.	Not Resolved	2025
9	Inventory management.	The management has taken note	Resolved	2024
10.	Poor storage on non-pharmaceutical items	The hospital management has created storage space by properly rearranging product .	Resolved	2024
11.	Expired of medical supplies	The hospital management is doing a follow-up on proper disposal of the expiries through the office of the public health. On valuation of expired drugs will be reported in subsequent years	Not Resolved	2025

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Accounting Officer

KATULANI SUB-COUNTY HOSPITAL
MEDICAL SUPERINTENDENT
30 SEP 2024
P. O. Box 1355 - 90200,
KITUI

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

Appendix III: Inter- Confirmation Letter

Name of Transferring Kitui county government

Name of Beneficiary..... Katulani level 4 hospital

Confirmation of amounts received by Katulani level 4 hospital as at 30 th June 2024					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
REC/0001090107	8/14/2023	500,000		500,000	Received
REC/0001091134	9/13/2023	500,000		500,000	Received
REC/0001091946	9/29/2023	500,000		500,000	Received
REC/0001093326	10/27/2023	500,000		500,000	Received
REC/0001094657	12/1/2023	500,000		500,000	Received
REC/0001095881	1/4/2024	500,000		500,000	Received
REC/0001097619	2/2/2024	500,000		500,000	Received
REC/0001098970	3/6/2024	500,000		500,000	Received
REC/0001099827	4/4/2024	500,000		500,000	Received
REC/0001100629	5/16/2024	500,000		500,000	Received

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

REC/0001101862	6/10/2024	105,000		105,000	Received
TOTAL		<u>5,105,000</u>		<u>5,105,000</u>	Received

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

Head of Accounts Department – Disbursing County Government of Kitui

Name Annastacia Kanini Sign [Signature] Date 30/9/2024

Head of Accounts Department - Beneficiary Katulani level 4 hospital:

Name Margaret Kenembe Sign [Signature] Date 30/9/2024



*XX Hospital (XX Government)
Annual Report and Financial Statements for The Year Ended 30th June 2024*
