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REPORT

OF

THE AUDITOR-GENERAL

ON

**MERU TEACHING AND REFERRAL
HOSPITAL**

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

COUNTY GOVERNMENT OF MERU



**Meru Teaching & Referral Hospital
(Meru County Government)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2025

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



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1. Acronyms & Glossary of Terms

CSR	Corporate Social Responsibility
OSHA	Occupational Health & Safety Act
PFMA	Public Financial Management Act
MED SUP	Medical Superintendent
Fiduciary Management	Key management personnel who have financial responsibility in the entity.
McTRH	Meru Teaching & Referral Hospital
EHR	Electronic Health Records
ICU	Intensive Care Unit
HDU	High Dependency Unit
MRI	Magnetic Resonance Imaging
CT scan	Computed Tomography scan
NHIF	National Hospital Insurance Fund
OPD	Outpatient Department
CCC	Comprehensive Care Centre
CECM	County Executive Committee Member
CHMT	County Health Management Team
HMT	Health Management Team
PFM	Public Finance Management
KEMU	Kenya Methodist University
ALOS	Average Length of Stay
MCH/FP	Maternal Child Health, Family Planning

2. Key Entity Information and Management

(a) Background information

Meru Teaching & Referral Hospital is located in Imenti North Sub County, Meru County. It was established in the early 1920's by a colonial military Doctor who had established an outreach site which was used to treat Leprosy and tuberculosis patients. Over the years, MeTRH has transitioned from a dispensary to the current level five hospital having started by offering primary health care but now offers various specialized services.

MeTRH is one of the principal health hubs in the Eastern and North Eastern part of Kenya. The region portends a huge expanse characterised by arid and semi-arid areas such as; Samburu, Isiolo, Marsabit, Tharaka Nithi and Laikipia Counties.

The hospital currently stands on a 7.6 hectares piece of land. It serves a catchment area of Meru County with a population of about 1.4 million people. The hospital has a bed capacity of 331 beds, 22 cots and 9 incubators. The average daily outpatient attendance is about 1000 patients and daily bed occupancy rate of 150% translating to an average of 450 inpatients daily.

(b) Principal Activities

The Hospital mandate is to:

- (i) Offer Outpatient, Inpatient, Imaging, Dental, Laboratory, Pharmacy, Rehabilitative, Promotive, and Preventive healthcare services.
- (ii) Provide Specialised services like Oncology, ICU, HDU, Renal, Dermatology, Urology, Maxillofacial surgery, Endoscopic surgery, Ophthalmology, Paediatrics, Internal Medicine, Reproductive Health, General Surgery, Orthopaedics, Clinical Psychology, Psychiatry among other services.
- (iii) Act as a training centre for interns in various cadres such as medical and dental officers, nursing officers, pharmacy, clinical officers, laboratory technologist and technicians, nutrition officers, health records, public health officers, biomedical officers, physiotherapists, occupational therapists, radiographers among others
- (iv) Specialised clinics which includes; Neural surgery, wound paediatrics surgery, Urology, psychiatry and Non-communicable diseases clinics

(c) Vision, mission and core objectives

Vision

A specialized referral hospital committed to excellence in innovative health care and training.

Mission

To provide client -centered innovative specialized and affordable health care; facilitate training and research; and participate in county, national and global healthcare policy formulation

Core Values

Leadership & Integrity
Compassion
Professionalism & Excellence
Creativity
Teamwork & Team spirit
Responsiveness

Strategic Goals

Meet the Highest Standard of Health Care.

Develop a Culture of Excellence

Resource Sustainability

Enhance Institutional Capacity

Strategic Partnership

Strengthening Information Management, Research, Innovation and Development

3. Key Management

The key management of Meru Teaching and referral hospital comprises of the following

Table 1: Key Management

S.No	Position	Name
1.	CECM -HEALTH	Dr. Denis Muriungi Mugambi
2.	Chief Officer Health	Dr. Muthuri Koome
3.	Board Chairperson	Prof. Jotham Micheni
4.	Board Member	Ms Grace Thirindi
5.	Board Member	Joshua Mungania
6.	Board Member	CPA Charles Mwenda
7.	Board Member	Stephen Kubai Ithilii
8.	Chief Executive Officer	Dr. Bernard Murithi
9.	Director – Clinical Services	Dr. Kinywa Ndegwa
10.	Director Administration	Elemo Mugambi Kinoti
11.	Director Finance & Planning	CPA Henry Gatobu

(a) Fiduciary Management

The key management personnel who held office during the period ended 30th June 2025 and who had direct fiduciary responsibility were:

SN	Designation	Name
1.	Chief Executive Officer	Dr. Bernard Murithi
2.	Director – Clinical Services	Dr. Kinyua Ndegwa
3.	Director Administration	Elemo Mugambi Kinoti
4.	Director Finance & Planning	CPA Henry Gatobu
5.	Clinical Executive Nursing Services	Faith Kinya Mukindu
6.	Head Supply Chain Management	Ezron Koome Nkunja

(b) Fiduciary Oversight Arrangements

The key fiduciary oversight bodies at Meru Teaching and Referral Hospital for the period ended 30th June 2025 were: -

1. *Clinical Research and Standards Committee*
2. *The Finance and Planning Committee*
3. *Risk and Audit Committee*
4. *Human Resource and Administration Committee*

c) Meru Teaching and Referral Hospital

P.O. Box 8-60200
Hospital Road
Meru, Kenya

d) Contacts

Telephone: (+254) 772207572
E-mail: hospitalmeru@gmail.com
Website: www.metrh.or.ke

e) Bankers

Kenya Commercial Bank

Meru Branch
PO Box 3066-60200
Meru, Kenya

Cooperative Bank

Meru Branch
PO Box 1328-60200
Meru, Kenya





f) Independent Auditors

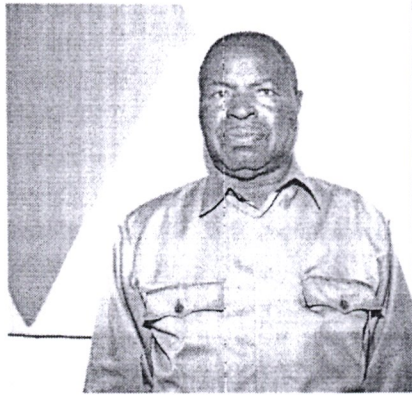
Auditor-General,
Office of the Auditor-General,
Anniversary Towers, University Way,
P. O. Box 30084 - 00100,
Nairobi, Kenya.

g) Principal Legal Adviser

The Legal Officer
Meru County
P.O. Box 120-60200
Meru, Kenya

4. The Board of Management

Directors	Details
	<p>Professor. Jotham Micheni EBS Chairman, MeTRH Board of Management Born in 1956, Professor Micheni is a Professor of General Surgeon at the Kenya Methodist University school of medicine. He previously served as Vice Chancellor KEMU (2011-2014), Chief executive Officer KNH (2006-2011), Deputy Director Clinical Services KNH (2003-2006). He also served as a Medical Officer (1983-1992) and as a general surgeon since 1992 to date. Professor Micheni, holds a MBChB and Mmed from the university of Nairobi and Fellowship in surgical endoscopy from university of Telaviv.</p>
	<p>Ms Grace Thirindi Independent Non- Executive Director. Born in 1951, Ms Thirindi possesses over 26 years' experience in nutrition and dietetics. She has previously served as a Committee member district health management committee for 15 years and a Board member Njia Boys for 3 terms. She is currently a Board member at Kilimamungu Girls Secondary School.</p>
	<p>Joshua K. Mungania Independent Non- Executive Director. Born in 1963, Mr. Joshua Mungania is the Chairman chamber of commerce Meru, a Council member at Tharaka University and also the Chairperson Upper Eastern Tourism circuit. He has over 15 years' experience in public administration and possesses a wealth of knowledge in hospitality and real estate sector. He holds a Bachelor of Arts, and MBA project planning and management, University of Nairobi.</p>
	<p>CPA Charles Mwenda Chief Officer – Finance & Economic Planning Mr. Charles Mwenda is the Chief Officer Finance, Economic planning and ICT County Government of Meru. He holds MBA-Finance, Bachelor of Accounts and is a member of the institute of Certified Public Accountants of Kenya (ICPAK). He has a vast experience in Finance and accounting in Public Sector having worked at the County Treasury for 12 years.</p>



Stephen Kubai Ithili

Independent Non- Executive Director.

He holds a Master's Degree in Business Administration-Finance, Bachelor of Business Administration Finance from Florida Atlantic University and Associate of Arts from Brevard Community College Mr Kubai, possesses over 10 years' experience in auditing having served as an auditor at various levels in the office of the Auditor General. He also Worked for 16 years at KEPHIS initially as an assistant director then later as general manager finance and administration. He previously served as a Board member at Moi Forces Academy, Presidential task force on miraa reforms and is currently a member of Tigania West land board Meru County Representative.



Dr. Koome Muthuri – Ag. Chief Officer Health Services

Born in 1980, Dr. Koome Muthuri is the Acting Chief Officer Health services Meru County Government. He has over 12 years' experience in supply chain management. He previously served as Director of Medical services between 2019 and 2022. Prior to his appointment as the Chief Officer of Health services, Dr. Koome was he Director Health Services from the year 2022 to 2025. He is a registered member the Kenya Medical Practitioners, Pharmacists and Dentists Union (KMPDU), He holds Bachelor's Degree in Pharmacy and is pursuing Master's Degree in Public Health.



DR Bernard Murithi – Ag. Chief Executive Officer, MeTRH

Dr. Murithi Bernard is the Acting Chief Executive Officer of Meru Teaching and Referral Hospital (MeTRH), appointed in 2025. He is a Consultant General Surgeon with a specialization in endoscopy and has built a distinguished career in clinical practice and hospital leadership.

Prior to his appointment as Ag. CEO, Dr. Murithi served as the Deputy Director of Clinical Services at MeTRH, where he played a pivotal role in strengthening patient care delivery and clinical governance. He holds a Bachelor of Medicine and Bachelor of Surgery (MBChB) degree and a Master of Medicine in General Surgery (M.Med).

Dr. Murithi is an active member of the Kenya Medical Practitioners and Dentists Council (KMPDC), the Kenya Medical Practitioners, Pharmacists and Dentists Union (KMPDU), and the Surgical Society of Kenya, reflecting his strong commitment to professional development and advancement of the medical profession.

Responsibilities as CEO


In his capacity as CEO, Dr. Murithi provides strategic leadership and oversight of all hospital operations. His key responsibilities include:





Ensuring delivery of high-quality, patient-centered care. Mobilizing and managing resources to strengthen financial sustainability.

	<p>Enhancing the hospital’s teaching, training, and research mandate, Driving innovation in clinical and administrative services, Overseeing governance, regulatory compliance, and accountability, Promoting staff motivation, professional growth, and capacity building and Representing MeTRH in key stakeholder engagements at county, national, and international levels,</p>
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Table 2: MeTRH Board of Management

5. Key Management Team

Management	Details
	<p>DR Bernard Murithi – Ag. Chief Executive Officer, MeTRH Dr. Murithi Bernard is the Acting Chief Executive Officer of Meru Teaching and Referral Hospital (MeTRH), appointed in 2025. He is a Consultant General Surgeon with a specialization in endoscopy and has built a distinguished career in clinical practice and hospital leadership. Prior to his appointment as Ag. CEO, Dr. Murithi served as the Deputy Director of Clinical Services at MeTRH, where he played a pivotal role in strengthening patient care delivery and clinical governance. He holds a Bachelor of Medicine and Bachelor of Surgery (MBChB) degree and a Master of Medicine in General Surgery (M.Med). Dr. Murithi is an active member of the Kenya Medical Practitioners and Dentists Council (KMPDC), the Kenya Medical Practitioners, Pharmacists and Dentists Union (KMPDU), and the Surgical Society of Kenya, reflecting his strong commitment to professional development and advancement of the medical profession.</p> <p>Responsibilities as CEO In his capacity as CEO, Dr. Murithi provides strategic leadership and oversight of all hospital operations. His key responsibilities include: Ensuring delivery of high-quality, patient-centered care Mobilizing and managing resources to strengthen financial sustainability, Enhancing the hospital’s teaching, training, and research mandate, Driving innovation in clinical and administrative services, Overseeing governance, regulatory compliance, and accountability, Promoting staff motivation, professional growth, and capacity building and Representing MeTRH in key stakeholder engagements at county, national, and international levels</p>

Management	Details
	<p>CPA Henry Gatobu-Director Finance; CPA Henry holds Bachelor of Business Administration-Accounting, Diploma in Business Management and Diploma in Accounting (UON). Mr Gatobu is a Certified Public Accountant and a member of Institute of Certified Public Accountants(ICPAK) Responsibilities: Coordinating the preparation of budgets and work plans, Approval of payments, Advising the management on matters Finance, Preparation of financial statements and provision of transformational leadership to achieve the vision and mandate of the Hospital</p>
	<p>DR Kinyua Ndegwa – Ag. Director Clinical services Aged 42-years, Dr. James Kinyua Ndegwa is an Orthopedic Surgeon with a fellowship in Pediatric Orthopedics and proven competence in joint replacement and hand surgery. He currently serves as the Director of Clinical Services and Assistant Director of the COSECSA Training Programme at Meru Teaching and Referral Hospital. Previously, he has held various leadership positions including Head of Rehabilitative Services and Head of the Surgery Division. Beyond the operating room, Dr. Kinyua is passionate about education and healthcare policy formulation, striving to create systems that improve patient outcomes and strengthen the medical field. Known for his leadership, teamwork, and generosity, he inspires colleagues and patients alike through both his surgical skill and his vision for a healthier future.</p>
	<p>Mr. Elemano Mugambi - Director administration. He holds, Masters of Arts in Public Administration and Management, Bachelor in Business Management, Leadership Management and Governance, Senior Management Course Responsibilities: Lead and Manage the administration directorate, chair project implementation committee, oversee procurement and logistic process and Contribute to the Human Resource Management Advisory Committee</p>
	<p>Mr. Ezron Koome Nkunja-Head of supply Chain He holds, Master of Arts in Project Planning & Management, Bachelor of Purchasing and Supplies Chain Management and is a Member of Kenya institute of supplies management(KISM) Responsibilities: Reviewing procurement evaluation reports and provide professional procurement or asset disposal; interpretation, implementation and enforcement of the Public Procurement regulations.</p>


Management	Details
	<p>Faith Kinya - Clinical Executive Nursing Services She holds Bachelors of science in nursing (BScN) Continuing student in Masters of Science in Nursing (Med Surg) Responsibilities: coordinating all nursing services, ensures standards and quality of nursing care are maintained, overseeing and supervising nursing staff and facilitating development and review of training programs for nurses in the Hospital</p>

Table 3: Key Management Team

1. Chairman's Statement

Meru Teaching and Referral Hospital (McTRH) has made significant strides in improving healthcare delivery, driven by the key developments outlined in our strategic plan for 2023-2028. The hospital's clinical services are now categorized into eight divisions, enhancing efficiency across various specialties.

Our ICU, established in 2020, boasts a 57% discharge success rate, reducing external referrals. The Renal Unit, commissioned the same year, with a capacity to perform 72 dialysis sessions weekly, offering critical care for patients with renal conditions. Mental health services, a regional first, provide inpatient and outpatient care, while our oncology department offers chemotherapy and consultations, significantly reducing patient referrals.

The surgical department has advanced capabilities, including six operating theatres equipped for minimally invasive surgeries and a dedicated burns unit for paediatric cases. Our comprehensive imaging and laboratory services continue to improve diagnostics, although there is an urgent need for replacing our MRI and CT scan machines. Reproductive health services, including high-risk pregnancy care, and the integration of electronic health records (EHR), have enhanced patient management.

Financially, the hospital has demonstrated strong performance, with increased NHIF reimbursements, alongside additional revenue streams such as rental income. Expenditure has risen modestly due to increased medical costs, repairs, and staff wages.

Key partnerships have been instrumental in our success. Collaborations with Smile Train International, Christian Blind Mission, and Fred Hollows Foundation have enhanced specialized care in paediatric surgeries and eye care services. Locally, partnerships with Kenya Methodist University and Meru University have bolstered training and research. Our CSR activities, including free medical camps and environmental initiatives, underscore our commitment to community health and sustainability. Through these efforts, McTRH continues to reduce external referrals, enhance patient outcomes, and contribute to medical education and research, all while maintaining financial stability.

Key challenges include the lack of political cohesion, incomplete autonomy over human resources, inadequate land and infrastructure, insufficient finances, frequent industrial action and limited training for hospital managers.

We remain committed to fulfilling our mandate of providing high-quality healthcare to the region and beyond.



Prof. Jotham Micheni
Chairman to the Board

6. Report of the Chief Executive Officer

The Meru Teaching and Referral Hospital (MeTRH) has continued to implement its Strategic Plan (2023–2028) with significant clinical and financial milestones realized in the financial year ending June 2025. The hospital's service delivery has been strengthened through the establishment of a fully functional High Dependency Unit (HDU) in 2025, achieving a 75% discharge success rate, and the installation of a new CT scan machine to enhance diagnostic capacity. In July 2025, the Deputy President presided over the ground-breaking of a new ward block, which will expand capacity by approximately 200 beds and house critical departments including NICU, Mother & Child Unit, and a specialized burns unit, positioning MeTRH towards Level 6 referral status.

Clinical services have continued to grow across specialized areas such as oncology, renal dialysis (Approximately 72 sessions weekly), surgical services with minimally invasive procedures, and comprehensive reproductive health care. These developments have reduced external referrals, improved internal referrals, and enhanced patient outcomes.

On financial performance, the hospital has experienced steady revenue growth supported by SHA reimbursements, donor contributions, rental income, and cashless payment systems (MPESA/insurance). The hospital recorded a notable increase in revenue due to the rise in the number of patients registered under SHA, which eased inpatient billing and reduced reliance on waivers. Management has further put in place measures to minimize waivers that undermine optimal revenue collection, thereby strengthening financial sustainability.

Strategic partnerships, training programs, and continuous medical education have remained central to the hospital's mandate as a teaching institution. Outreach activities, including medical camps and CSR initiatives such as free treatment for prisoners, underscored MeTRH's commitment to expanding healthcare access, community development, and sustainable practices.

Overall, the year under review reflects remarkable progress both clinically and financially, laying a strong foundation for MeTRH's elevation to Level 6 status and reinforcing its position as a premier teaching and referral facility.



.....
Dr Bernard Murithi
Chief Executive Officer

7. Statement of Performance against Predetermined Objectives

Meru Teaching & Referral Hospital has six strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2023- FY 2028. These strategic pillars/ themes/ issues are as follows:

Pillar /theme/issue 1: Highest standards of health care

Pillar/theme/issue 2: A culture of excellence

Pillar/theme/issue 3: Develop Resource sustainability strategies

Pillar/theme/issue 4: Sustained appropriate institution capacity

Pillar/theme/issue 5: Mutually beneficial strategic partnerships

Pillar/theme/issue 6: Strong research, innovation and development

Meru Teaching & Referral Hospital develops its annual work plans based on the above Six pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Hospital achieved its performance targets set for the FY 2024/2025 period for its six strategic pillars, as indicated in the table below:

Table 4: McTRH Performance Achievements FY 2024:2025

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
1. Highest standards of health care	• To ensure transition, conversion and attainment of the institution to a level 6 hospital	No. of Assessment report % increase of specialized departments and bed capacity	<ul style="list-style-type: none"> • Development of Assessment report by KMPDC indicating potential to be a level 6 • Implementation of strategic plan to oversee implementation. 	• Continuous monitoring of implementation of strategic plan 2023/28
	• To improve and provide international acceptable professional, specialised health care	No. of policies developed to help in service delivery	• Development of HR policies, clinical services policies and manuals to guide in policy direction for standards in service delivery	Developed recruitment policy, contract document, Referral policy, Finance manual.
	• To acquire appropriate and adequate infrastructure, equipment and supplies	No. of infrastructure developed as per the master plan % of equipment acquired as per norms matching level 6	<ul style="list-style-type: none"> • Continuous improvement of infrastructure • Acquiring of key equipment • Strengthening procurement for efficient supply chain operations. 	Equipping of Ward block. Continues maintenance of infrastructure Continuous and steady supplies to ensure efficient service delivery
	• To strengthen all hospital operational system	No. of hospital systems procedures developed	<ul style="list-style-type: none"> • Improve patient flow system • Strength supply chain management system 	• Capacity building to strengthen supply chain

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
		% of functioning operating systems for level 6	<ul style="list-style-type: none"> Strengthening information management system 	<ul style="list-style-type: none"> Hiring of additional staff to improve patient flow especially at OPD Continuous improvement of HMIS to support full automation
2. A culture of excellence	<ul style="list-style-type: none"> To inculcate personal and collective responsibility 	% of staff under performance contracting No. of staff who have benefitted from staff welfare % of staff trained on other professional career development courses	<ul style="list-style-type: none"> Introduce, adopt and implement performance management system Strengthen and harmonize the staff social welfare Institute corrective measure of non-compliance 	Strengthening hospital standalone performance contracting Strengthening and supporting the growth of the staff welfare
	<ul style="list-style-type: none"> To inculcate professional personal and collective responsiveness 	No. of professional bodies who have accredited facility as a CPD center No. of CME programs undertaken	<ul style="list-style-type: none"> Applications and other procedures done to enlist the facility as a CPD accredited center The development of CME programs annual calendar to increase participation 	Progress in ensuring the hospital is CPD accredited Progress on strengthening the CME within the facility.
	<ul style="list-style-type: none"> To inculcate a culture of positive work ethics 	No. of report on monitoring and evaluation Minutes by quality assurance on compliance and remedies taken.	<ul style="list-style-type: none"> Continuous monitoring and evaluation Continuous quality audits to oversee compliance 	<ul style="list-style-type: none"> Improved service delivery as a result of continuous monitoring Improved compliance as a result of continuous quality checks.
3. Develop Resource sustainability strategies	<ul style="list-style-type: none"> To diversify income sources, institute sustenance measures and prudent financial management 	% of income generating projects established % savings in utilities due to reduction of cost of power as a result of solarisation. Number of proposals done for mobilization of resources through	<ul style="list-style-type: none"> Establish income-generating projects Commercialization of excess capacity Strengthen financial management systems Reduce costs of operations (utilities and consumables) Improve on debt recovery Establishment of marketing and resource mobilization mechanisms 	<ul style="list-style-type: none"> Income generated through operationalization of the corporate clinic. Savings done from solar project Partners realized as a result of mobilization.

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Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
		partnerships. Report on soundness of financial management system		<ul style="list-style-type: none"> Standards in financial management leading to reduced loss of funds
	<ul style="list-style-type: none"> To optimize the cost of acquisition and maintenance of equipment, consumables etc 	% of supplies and equipment bought and maintained within the proposed budget	<ul style="list-style-type: none"> To Acquire cost effective infrastructure, equipment, consumables etc Establish a system of plans, equipment and facilities maintenance 	<ul style="list-style-type: none"> Efficient service delivery due to proper maintenance of the equipment hence avoiding breakdown. Steady supply of consumables and equipment
	<ul style="list-style-type: none"> To source and sustain research funding 	No. of active research projects % of research projects successfully completed	<ul style="list-style-type: none"> To establish a resource mobilization committee Establish linkage with appropriate partners 	<ul style="list-style-type: none"> Hospital known to be a hub of research by scholars and training institutions Achievement of research projects by partners such as solarisation. Number of research by students done and completed.
	<ul style="list-style-type: none"> To reduce the cost of utilities and consumables 	Report on saving in terms of energy due to solarisation Report on saving on papers due to automation especially at Corporate clinic Report on income on sale of recyclable waste	<ul style="list-style-type: none"> To initiate the use of recyclable/renewable/reusable equipment, consumables and energy To adopt PPP on equipment acquisition 	<ul style="list-style-type: none"> Savings due to solarisation Savings due to automation Income generation on sale of recyclable waste
4. Sustained appropriate institution capacity	<ul style="list-style-type: none"> To strengthen corporate governance, leadership and management 	No. of board meetings, workshops and retreats % of management team trained on	<ul style="list-style-type: none"> To establish a relevant, revised organizational structure Equipping the hospital BOD and HMT with relevant leadership skills To establish a legal frame 	<ul style="list-style-type: none"> Strengthening the corporate decision making for efficient management of the facility

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
	t	leadership and management	work for level 6 hospital at the MeTRH	
	<ul style="list-style-type: none"> To improve human resource management practice 	<ul style="list-style-type: none"> % of HRH management policy documents/guidelines developed % of personnel trained on human resource management 	<ul style="list-style-type: none"> Development of HR recruitment policy Training of HR officers 	<ul style="list-style-type: none"> - Development and implementation of recruitment policy . .
	<ul style="list-style-type: none"> To maintain and effective an efficient health infrastructure 	<ul style="list-style-type: none"> % of functional equipment's and buildings % of equipment on updated service contracts 	<ul style="list-style-type: none"> To routinely upgrade and maintain plants & equipment Continuous planned preventive maintenance To improve health information system 	<ul style="list-style-type: none"> Fully functional infrastructure with minimal breakdowns which supports service delivery
	<ul style="list-style-type: none"> To have an organized user-friendly hospital 	<ul style="list-style-type: none"> % of clients satisfied with the services % of staff satisfied with the working 	<ul style="list-style-type: none"> To establish, Enforce and adhere to the master plan Ensure accessibility of hospital service points Proper signage erection within the facility 	<ul style="list-style-type: none"> - Attainment of hospital leasehold - Signage erected - Disability mainstreaming observed - Development of masterplan in progress
5. Mutually beneficial strategic partnerships	<ul style="list-style-type: none"> To develop and nurture structured partnership mechanisms 	<ul style="list-style-type: none"> % of functional MOUs developed Number of partners engaged 	<ul style="list-style-type: none"> Strengthen collaboration strategies . 	<ul style="list-style-type: none"> Various MOU's with training institutions established Number of partners brought on board
	<ul style="list-style-type: none"> To develop a common framework for planning and implementation for healthy programme 	<ul style="list-style-type: none"> % of jointly planned and implemented programmes 	<ul style="list-style-type: none"> Planning Budgeting and financing Technical assistance Continuous monitoring and periodic reviews 	<ul style="list-style-type: none"> - Collaborated with county Government and other partners to mark various WHO days. Participated in immunization campaign and incineration of waste generation during the exercise. Participated in

Meru Teaching & Referral Hospital (Meru County Government)
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Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
				the sector working group in development of county budget for the reporting year
6. Strong research, innovation and development	<ul style="list-style-type: none"> To promote research to support evidence-based decision making. 	No. of research-based policy documents developed Number of research-based funding to inform practice % of research projects completed and disseminated	<ul style="list-style-type: none"> Establish policies and guidelines to harmonize research. Collaboration with research institution 	<ul style="list-style-type: none"> Hospital Research committee in place Achieved research funding on solarisation of hospital. A number of education-based research completed.
	<ul style="list-style-type: none"> To promote innovation in order to improve on efficiency and accessibility to health care 	% Policy documents developed No. of innovations initiated and nurtured	<ul style="list-style-type: none"> Recognition of best practice promotion and incubation of innovativeness. 	<ul style="list-style-type: none"> Supported research on wound ointment by one of our Doctors. It was done and successfully implemented.

8. Corporate Governance Statement

Introduction

Commitment to good corporate governance is fundamental in ensuring sustainable stakeholder value and meeting their expectations. MeTRH structures, procedures and processes are anchored on accountability, transparency, responsibility and fairness which are the principles of good corporate governance. Through the Board of Management, Meru Teaching & Referral Hospital remains steadfast in complying with statutory obligations and the Code of Governance as required under Mwongozo Code among others laws.

The hospital is governed by Board of Directors as established by the Meru Teaching and Referral Hospital Board Act, 2019 by Meru County Assembly. The Board is composed of nine members of whom six are Independent Non-Executive Directors including the Chairman; two are Non-Independent Directors and an Executive Director who is the Chief Executive Officer. The process of the appointment as per the act is as follows:

The Board of Directors shall consist of—

- A non-executive Chairperson appointed by the Governor and approved by the County Assembly;
- The Chief Officer in the Department for the time being responsible for matters relating to Health or an officer designated by him or her in writing;
- The Chief Officer to the County Treasury or an officer designated by him or her in writing;
- The Director of the Meru Teaching and Referral Hospital; and
- Five other members appointed by the Governor and approved by the County Assembly.

The removal of Board members from office is guided by the act as follows; -

A member of the board may;

- At any time resign from office by notice in writing, in the case of the chairperson, to the governor, and in the case of any other member, to the executive member;
- To be removed from office by the Governor or the executive member as the case may be, if the member—
 - (i) Has been absent from three consecutive meetings of the board without the permission of the board;
 - (ii) Is adjudged bankrupt or enters into a composition scheme or arrangement with his or her creditors;
 - (iii) Is convicted of an offence involving dishonesty or fraud;
 - (iv) Is convicted of a criminal offence and sentenced to imprisonment for a term exceeding six months or to a fine exceeding ten thousand shillings;
 - (v) Is incapacitated by prolonged physical or mental illness;
 - (vi) Is found to have acted in a manner inconsistent with the aim and objectives of this act;

- (vii) Fails to comply with the provisions of this act relating to disclosure; or
- (viii) Is otherwise unable or unfit to discharge his or her functions as member of the board.

Roles and functions of the Board is; -

- To recommend appointment of Hospital Director
- Give policy directions and guidance to the Director of the Hospital
- Control, supervise and administer the assets and liabilities of the Hospital in such manner and for such purposes for which the Board was established;
- Promote infrastructural development of the hospital;
- Receive any grants, gifts, donations and endowments and to make legitimate disbursements therefrom.
- Promote the general welfare of the patients and staff of the Hospital;
- Enter into association with other hospitals, health institutions, institutions of higher learning and research organizations within or outside Kenya as the Board may consider desirable or appropriate and in furtherance of the purposes for which the Hospital is established;
- Make guidelines for the proper and efficient management of the Hospital which guidelines shall be issued by the Director on behalf of the Board and shall not require to be published in the Gazette but shall be brought to the attention of all those affected or governed by them;
- Approve alterations in health financing mechanisms including cost sharing among other charges;
- Determine the provision to be made for capital and recurrent expenditure and for reserves for the Hospital; and
- Do all such things as are in the opinion of the Board incidental to the exercise of the above mentioned powers or any of them.
- The first Board under the act was appointed on June 2021 through a gazette notice number 17 of 2021. The Board Induction was done at Kenya School Government, there has been no major training done so far. The Board is required to hold 4 meetings in a financial year and any other special meeting when need be. For the financial year 2023/24, the Board held 5 which includes 4 full Board meetings and one special meeting. Succession plan is not explicit provided but implied by law whereby the act provides that members will be appointed for 3 years and eligible for reappointment for another 3 years. There is no existing Board Charter however, the Board is in the process of developing one.

The Board is in the process of developing policies, one of the policy being performance contracting policy. Remuneration is guided by Salary and Remuneration Commission regulations as advised by the County Treasury.

Disclosure of conflict of interest is guided by the act as follows: If a member is directly or indirectly interested in any matter before the board, and is present at the meeting of the board at which the matter is the subject of consideration, he or she shall, at the meeting and as soon

as practicable after the commencement. disclose that fact and shall be excluded at the meeting at which the matter is being considered.

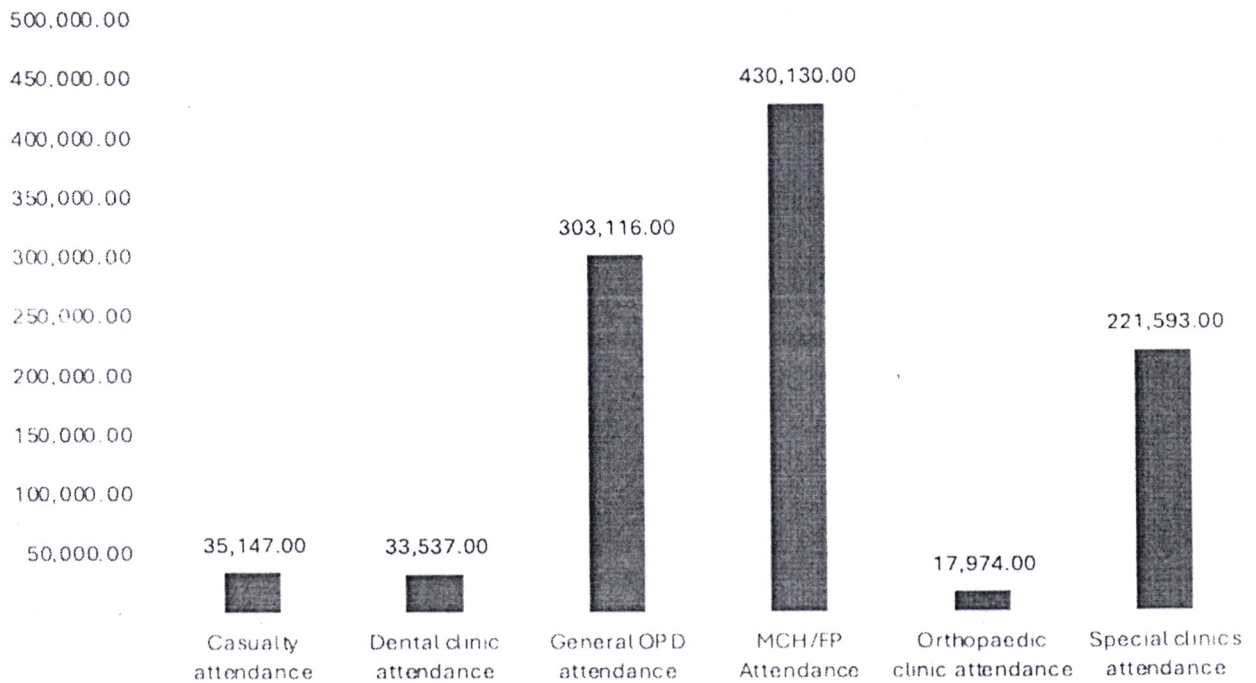
A disclosure of interest made under this section shall be recorded in the minutes of the meeting at which it is made. In every meeting member sign a form to declare interest. To ensure ethical conduct, every member signs an oath of confidentiality. Governance audit has not been conducted something to work on as we move forward.

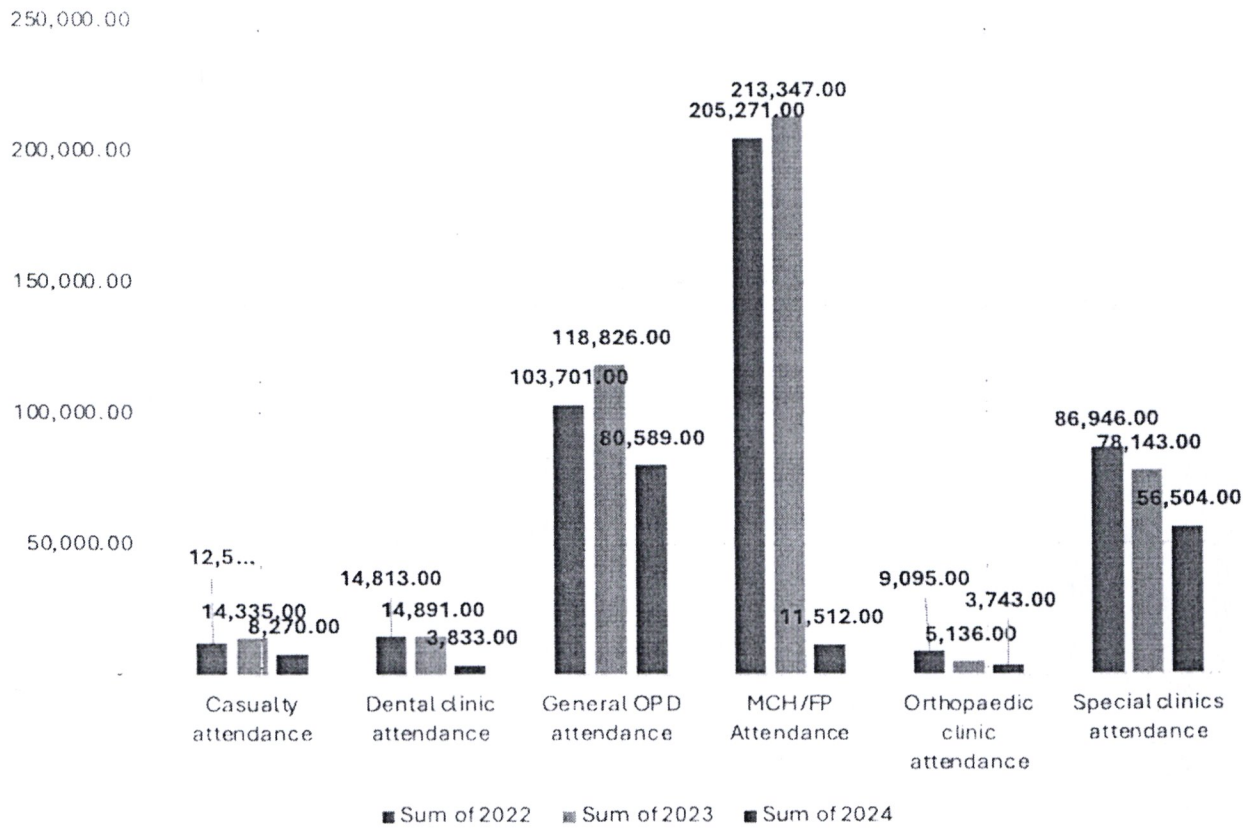
9. Management Discussion and Analysis
Clinical/operational performance

OUT PATIENT ATTENDANCE

DATA ELEMENT	2022/2023	2023/2024	2024/2025	TOTAL
General OPD attendance	103,701.00	118,826.00	80,589.00	303,116.00
Casualty attendance	12,542.00	14,335.00	8,270.00	35,147.00
Special clinics attendance	86,946.00	78,143.00	56,504.00	221,593.00
MCH/FP Attendance	205,271.00	213,347.00	11,512.00	430,130.00
Dental clinic attendance	14,813.00	14,891.00	3,833.00	33,537.00
Orthopaedic clinic attendance	9,095.00	5,136.00	3,743.00	17,974.00
Total OPD attendance	432,368.00	444,678.00	164,451.00	1,040,688.00

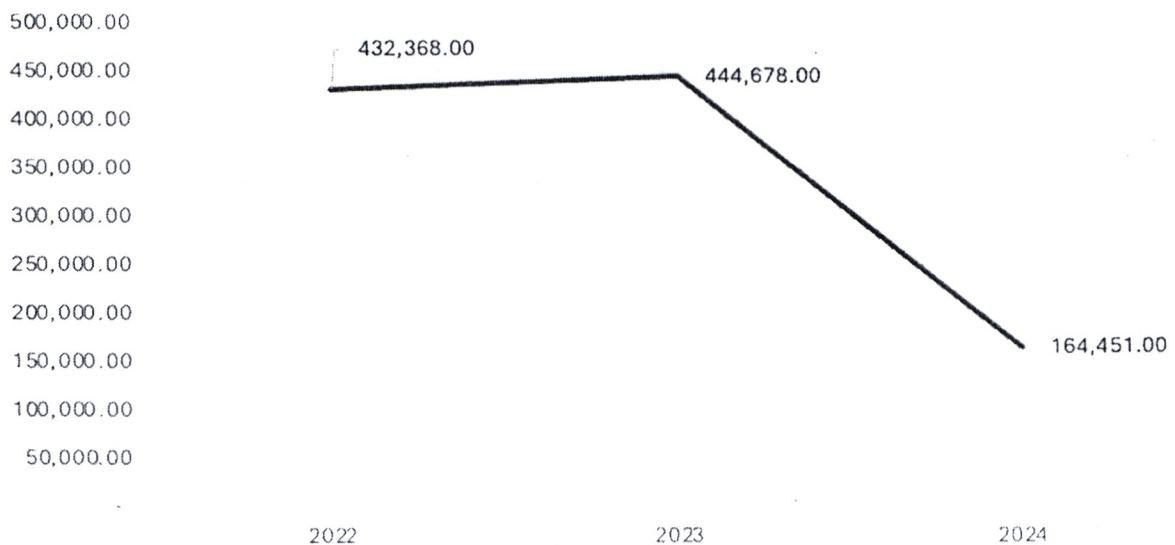
Total Out patient workload



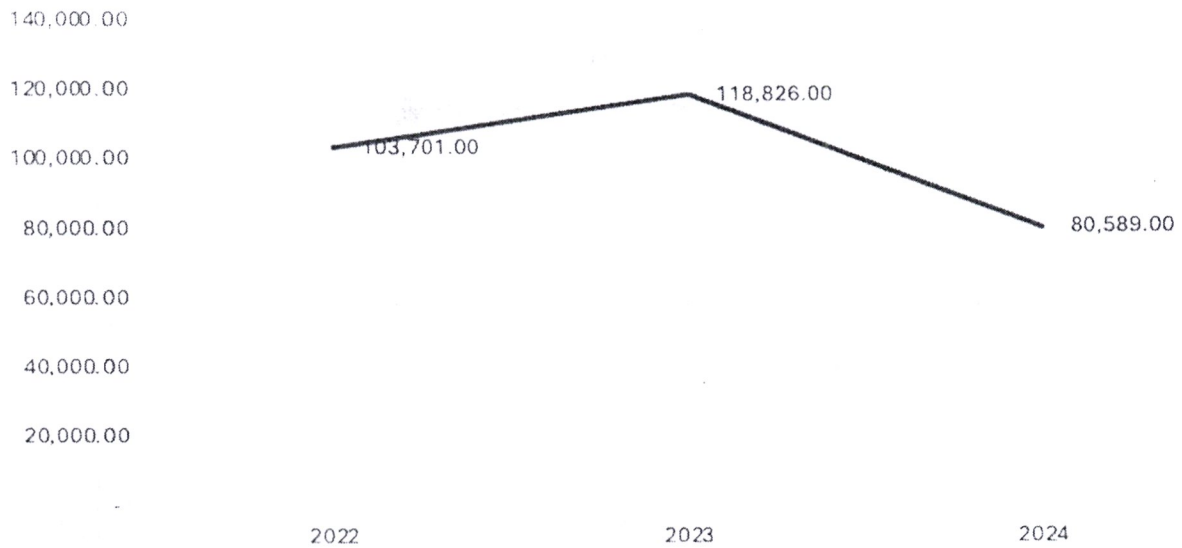


Trends Analysis

Trend of total workload for all OPD



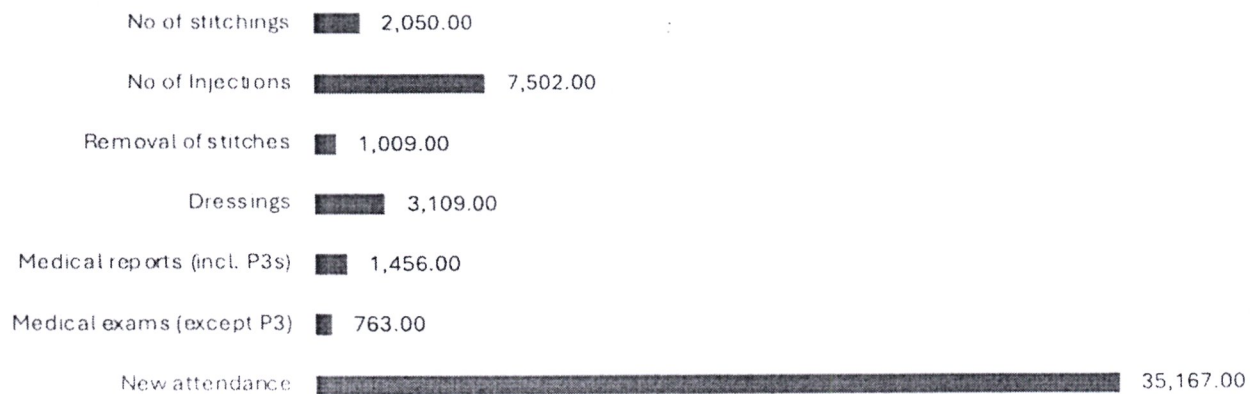
General OPD attendance



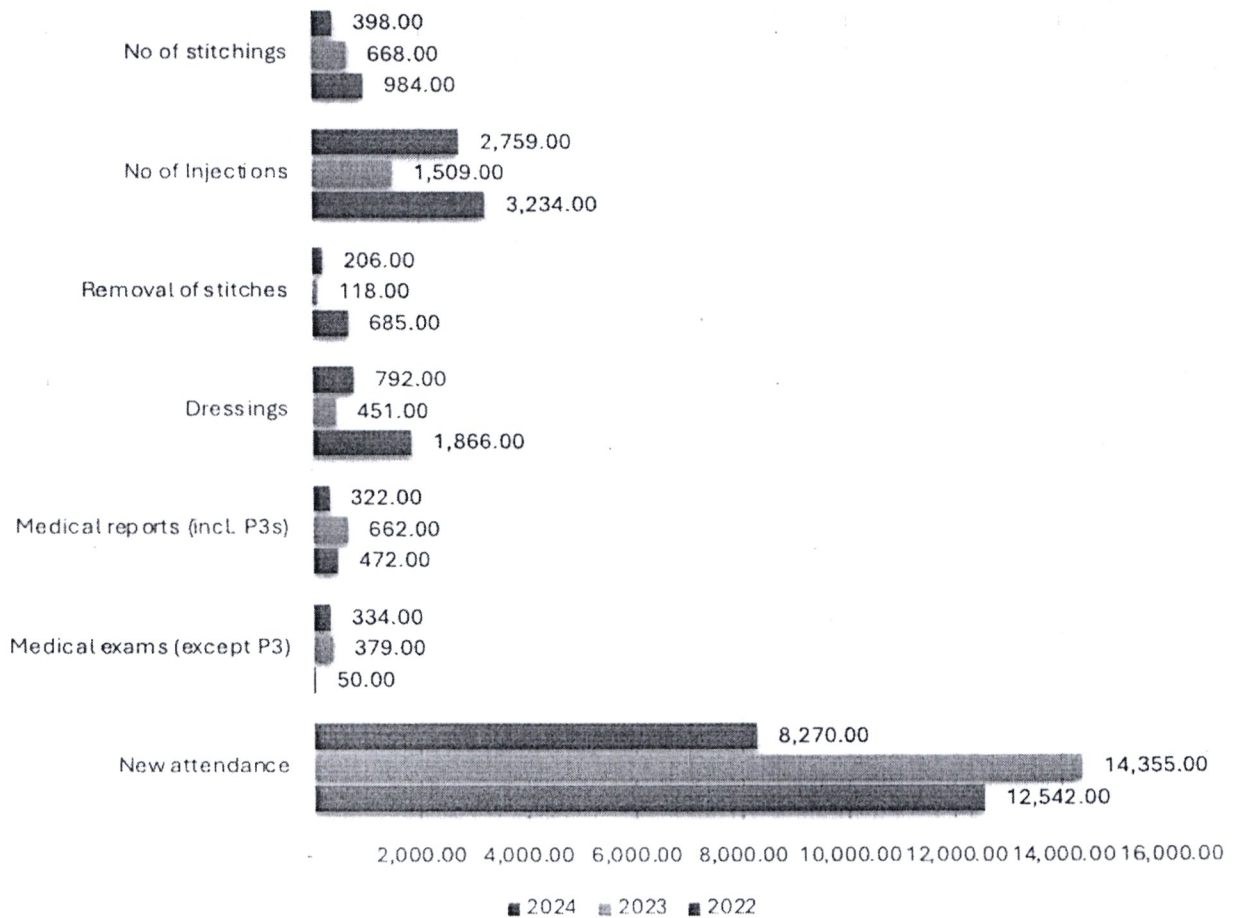
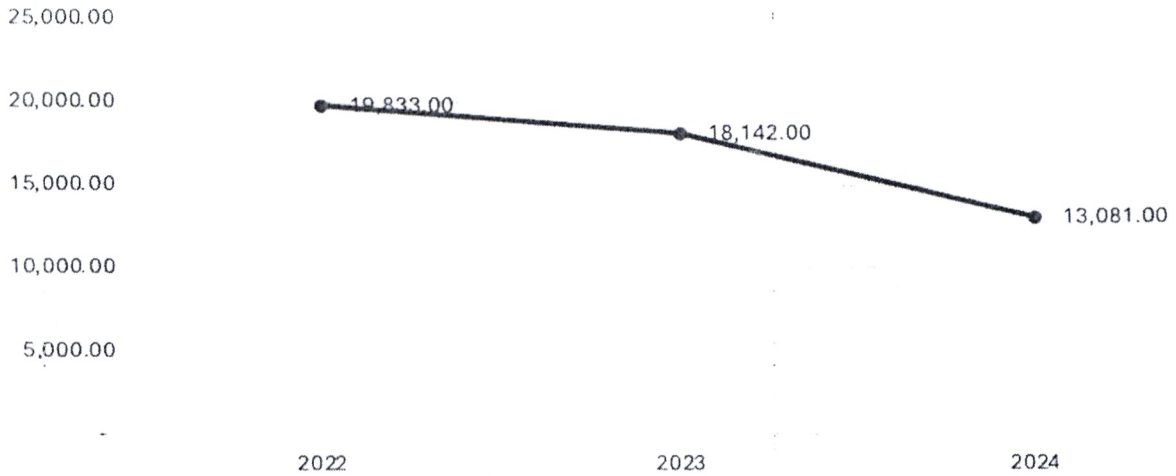
ACCIDENT AND EMERGENCY (CASUALTY) WORKLOAD

	2022	2023	2024	TOTAL
New attendance	12,542.00	14,355.00	8,270.00	35,167.00
Medical exams (except P3)	50.00	379.00	334.00	763.00
Medical reports (incl. P3s)	472.00	662.00	322.00	1,456.00
Dressings	1,866.00	451.00	792.00	3,109.00
Removal of stitches	685.00	118.00	206.00	1,009.00
No of Injections	3,234.00	1,509.00	2,759.00	7,502.00
No of stitching	984.00	668.00	398.00	2,050.00
Total	19,833.00	18,142.00	13,081.00	51,056.00
Monthly average	2551	1653	1090.1	4255

Accident and Emergency Department Workload



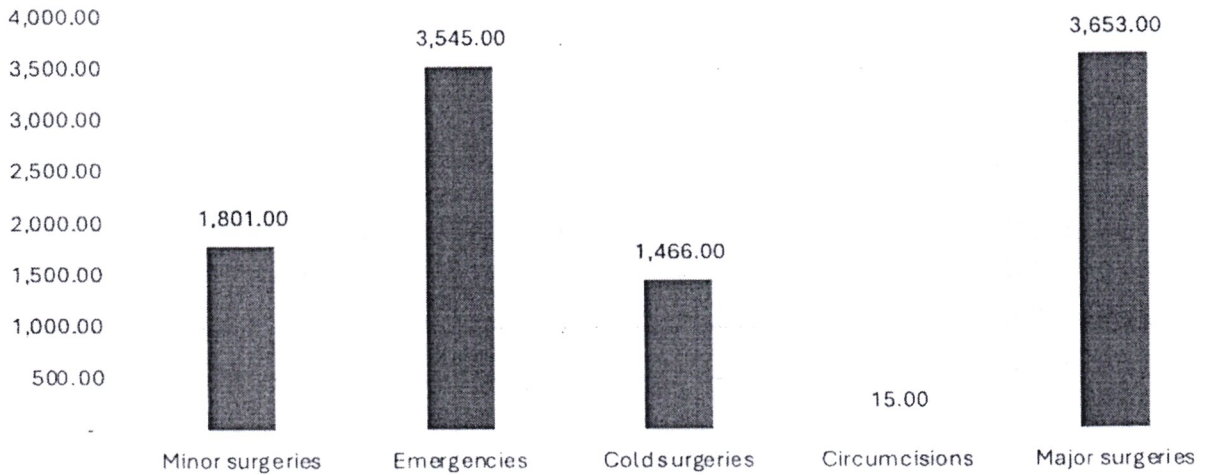
Trend in Total A&E workload



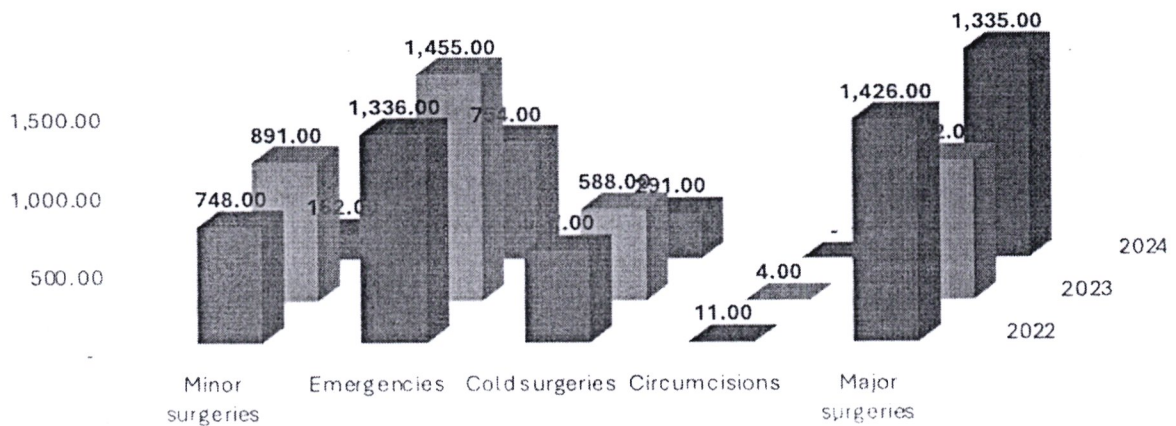
THEATRE WORKLOAD

DATA ELEMENT	2022/2023	2023/2024	2024/2025	TOTAL
Minor surgeries	748.00	891.00	162.00	1,801.00
Emergencies	1,336.00	1,455.00	754.00	3,545.00
Cold surgeries	587.00	588.00	291.00	1,466.00
Circumcisions	11.00	4.00	-	15.00
Major surgeries	1,426.00	892.00	1,335.00	3,653.00
Total	4,108.00	3,830.00	2,542.00	10,480.00

Theatre Workload



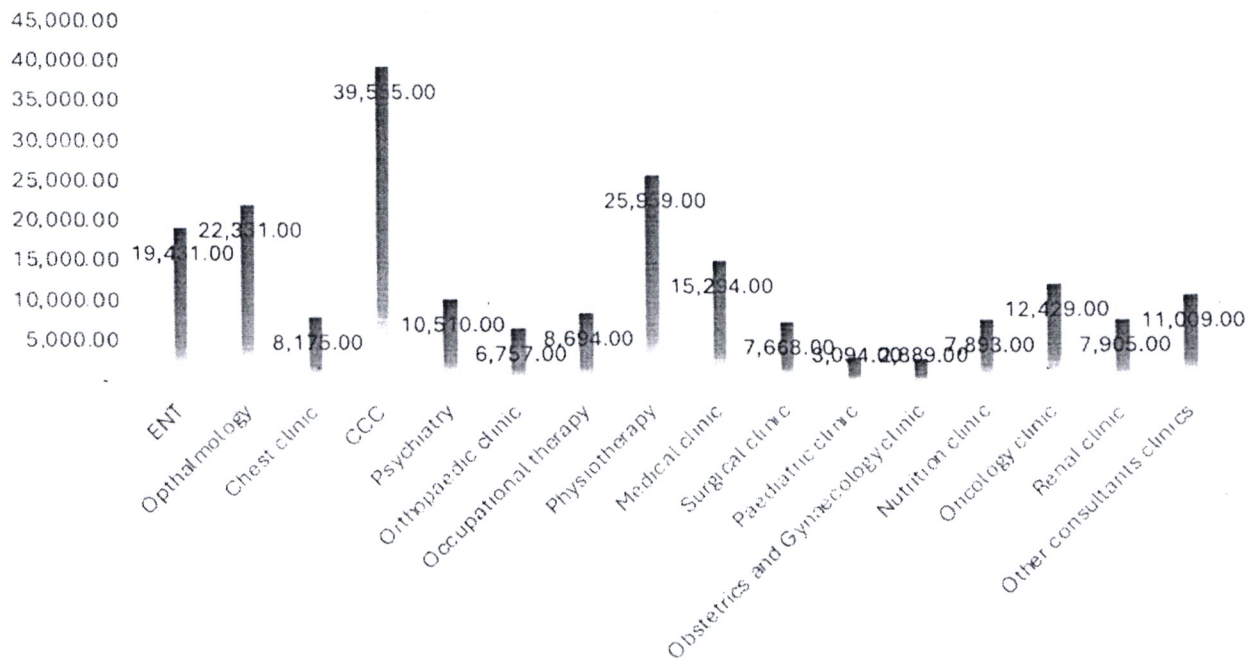
Theatre Workload



SPECIAL CLINICS ATTENDANCE

DATA ELEMENT	2022/2023	2023/2024	2024/2025	TOTAL
ENT	7,058.00	8,026.00	4,347.00	19,431.00
Ophthalmology	14,685.00	1,339.00	6,307.00	22,331.00
Chest clinic	2,682.00	3,182.00	2,311.00	8,175.00
CCC	14,481.00	11,965.00	13,109.00	39,555.00
Psychiatry	4,491.00	3,509.00	2,510.00	10,510.00
Orthopaedic clinic	1,395.00	3,623.00	1,739.00	6,757.00
Occupational therapy	3,854.00	2,928.00	1,912.00	8,694.00
Physiotherapy	15,326.00	6,187.00	4,446.00	25,959.00
Medical clinic	4,861.00	7,881.00	2,552.00	15,294.00
Surgical clinic	2,457.00	3,780.00	1,431.00	7,668.00
Paediatric clinic	1,188.00	1,295.00	611.00	3,094.00
Obstetrics and Gynaecology clinic	903.00	1,191.00	795.00	2,889.00
Nutrition clinic	2,947.00	2,135.00	2,811.00	7,893.00
Oncology clinic	5,817.00	3,482.00	3,130.00	12,429.00
Renal clinic	3,286.00	1,644.00	2,975.00	7,905.00
Other consultants clinics	1,515.00	3,976.00	5,518.00	11,009.00
Total	86,946.00	78,143.00	56,504.00	221,593.00

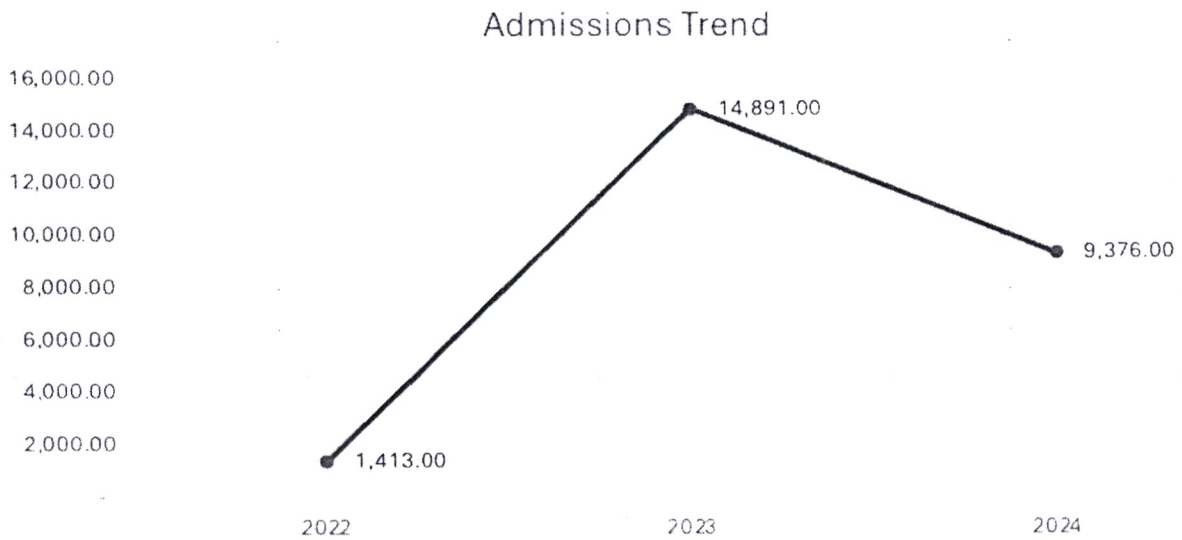
SPECIAL CLINIC ATTENDANCE



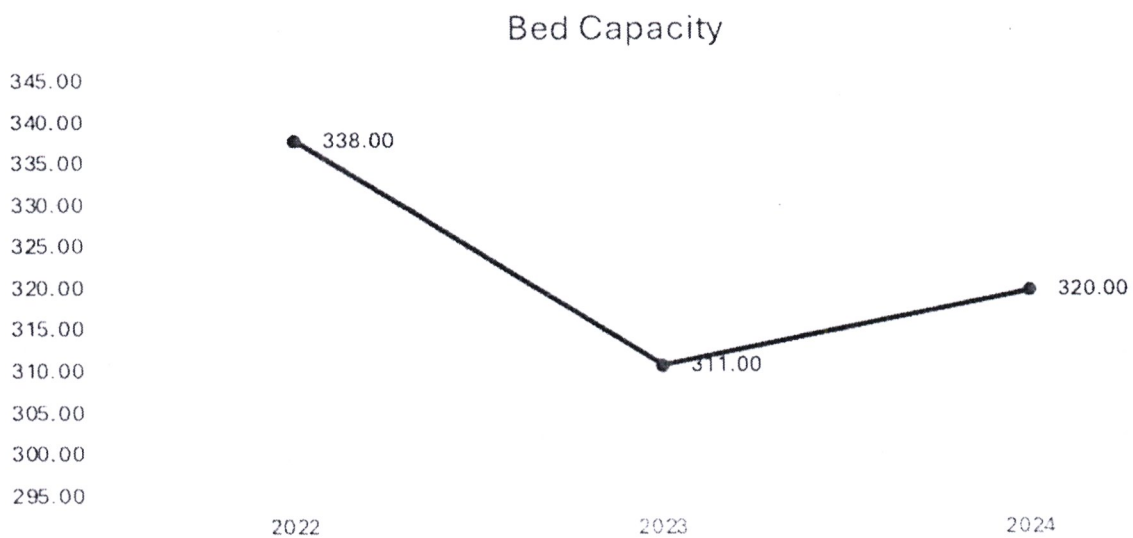
IN PATIENT WORKLOAD

DATA ELEMENT	2022/2023	2023/2024	2024/2025	TOTAL
Admissions	1,413.00	14,891.00	9,376.00	25680
Bed Capacity	338.00	311.00	320.00	320
Average length of stay	8.00	9.00	7.00	8
% bed occupancy	111.5	102.6	110.4	108.5
Mortality rate	5.7	5.1	4.1	5

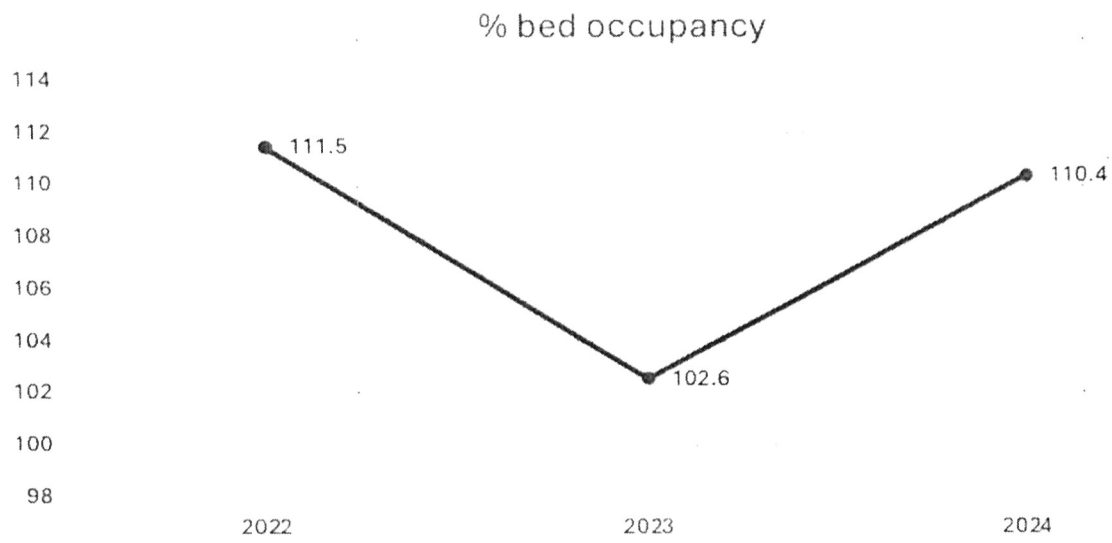
Inpatient Workload trends
Admission Trends



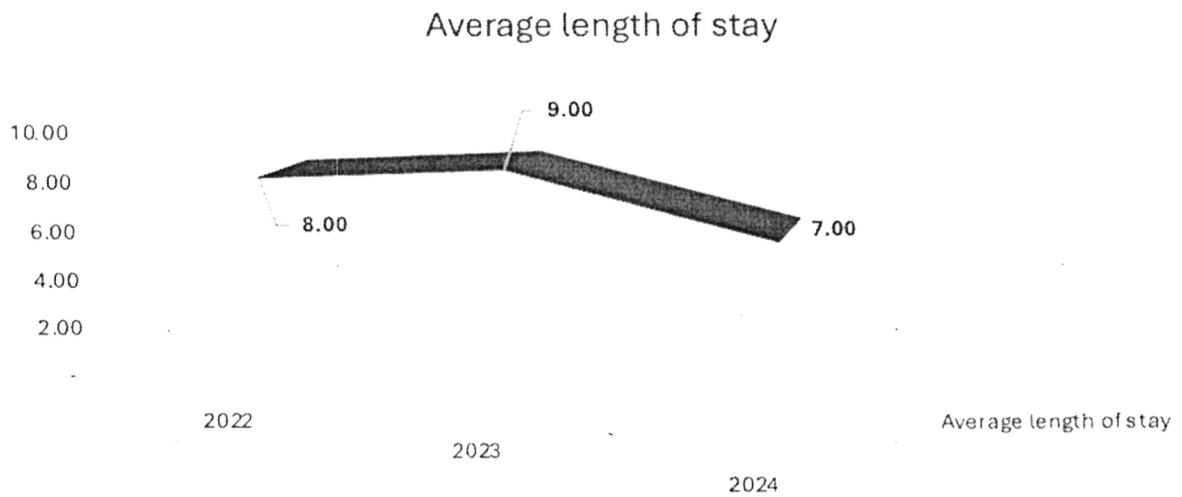
Bed Capacity trends



Bed occupancy trends



Average length of stay trends



Financial performance that includes: -

○ **Revenue sources,**

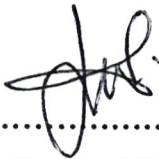
MeTRH has experienced a steady growth in revenue over the years. This is attributed to:

- (a) Financial autonomy of the hospital
- (b) Cashless payment system
- (c) Introduction of new services in areas like minimally invasive surgery, endoscopies, maxillofacial surgery, neurosurgery and orthopaedic surgeries.
- (d) Increased and regular SHA reimbursements

SHA claims have consistently grown over the years due to the increase in the number of surgeries done under the insurer and improvement in the number of approved claims due to better documentation and follow-up by management. The other claims submitted include inpatient services, oncology services, preauthorized procedures and imaging, renal dialysis, dental and ophthalmology procedures and emergency services

○ **Utilisation of funds**

The hospital utilisation of funds is done in accordance to PFM Act 2012 and other existing rules and regulations. The funds are used to cater for day to day running of the Hospital like paying for utility bills, purchase of Pharmaceuticals and Non Pharmaceuticals, maintenance and repairs, payment of casual and contracted employees and other recurrent expenses. The development or capital expenditure is mainly catered for by the county treasury through the department of Health. The expenditure for development projects is reported by the department of health.



.....
Dr. Bernard Murithi
Chief Executive Officer

10. Environmental and Sustainability Reporting

i) Sustainability strategy and profile

The hospital exists to provide client-centered quality, specialized and accessible health care; facilitate training and research; and participate in county, national and global healthcare policy formulation.

Sustainability of service delivery is proving to be a big challenge due to dynamics in health care coupled with increased disease burden doubled by emerging and re-emerging diseases while resources are shrinking. In an effort to ensure sustainability we have adopted some strategies like resource sustainability as envisaged in our strategic plan. We are diversifying our revenue streams through tapping on corporate clients.

We have also continued to sensitize our clients on importance to support the hospital through cost sharing money. We have endeavoured to put in place proper mechanism to safeguard this fund through prudent financial management. To achieve this, we have automated our revenue collection.

We are also promoting strategic partnerships; through this we have managed to realize reduction of cost in support of affordable service delivery. Recent one being a partnership we have realized with Oxford University to solarize the facility. This will cut cost on power consumption. The partnership with AMREF which led to realization of oxygen piping for Paediatric ward.

We are also working towards continuous trainings of our staff members to increase on competitive edge and also equip them to address the raising needs and trends in health. To this, we have increased the specialists in the facility and put focus to specialization for optimal care. This has occasioned increase in number of services offered within the facility.

Our efforts have been challenged by external environmental factors which includes politics. While as I acknowledge the fact that politics is a driving factor to accelerate growth, sometime politics can be detrimental to the cause. The element of devolving health came up with its own goodies as hospitals have attracted close attention from County Governments. It has helped to offer local solutions to problems affecting that particular county. It has helped in ownership of health facilities by local leadership. However, it has come also come up with its own share of problems which if not well checked can easily led these facilities non-functional. The element of management independency of these facility need to be well thought of as well as the best funding model to help the management easily attend to emergencies to save live. The liberation in decision making by management should be strengthened to support sustainability.

The macroeconomics factors also affect sustainability effort. The inflation experienced globally affects effort to sustain efficient service delivery. It leads to unpredictable prices of commodities. It pushes the prices of health products and technologies (HPT) to rise hence increasing the cost to offer services. If not well checked can lead to out of stock of these HPTs hence affecting service delivery. Inflation also affects the members of staff purchase

power hence provoking Unions to constant industrial action agitating for better pay to boost their member's welfare this affects sustainability of efficient service delivery.

The increase demand of health services calls for increase in number of health care givers. This additional of workers has not been in tandem due to low national income leading to economic down trends hence high unemployment rate therefore affecting sustainability.

Health in itself requires intensive funding in terms of equipment, machines and infrastructure. This funding has been shrinking over time due to economic turmoil associated to poor growth of GDP hence posing a challenge on sustainability.

The World Health Organization suggests that 5% of a country GDP should be put under health budget to finance primary health care. This has not been the case in our country due to other competing needs. The funding to realize the budget as presented has also been the biggest challenge.

The recommended ratio of Doctor to Patient by the WHO is 1:1000. This is far from being realized as it is currently estimated that in Kenya Doctor to Patient ratio is 1:17000. This affects the sustainability of quality health provision.

ii) Environmental Performance Audit Report

Environmental performance allows measuring the existing gaps in the institutions regarding their environmental policy objectives. Improving environmental performance also allows institution to achieve their sustainable development goals. The hospital environmental management is guided by NEMA policies on waste management and more specific by Kenya Environmental Sanitation and Hygiene Policy 2016- 2030 by Ministry of Health. This has guided especially on waste management in the facility.

The hospital is accredited by NEMA and we have integrated environmental performance in the strategic plan. The areas of concern are prudent resource allocation and utilization through recycling of materials which will also reduce pollution and assist to achieve overall environmental management. The hospital has also an incinerator therefore, medical waste is managed through burning and microwave incineration. Efforts are underway to install a bigger capacity incinerator. During the previous financial year 2023/2024, we were able to recycle scrap metals to fabricate benches and waste holding cages. We repaired main sewer line by expanding it to 6 inches to allow effluent flow without blockages. During the same period, we managed to plant 200 assorted indigenous trees and 50 fruits. General environment management we did landscaping and planted over 2000 assorted flowers and ornamental trees. In addition, the hospital has a sensible mechanism of handling medical waste to avert environmental pollution. This mechanism includes medical waste segregation, sorting, handling and transportation to treatment site. Challenges includes limited resources which threaten sustainability of our effort. This has led to delay in removal of Asbestos roofing which has negative impact to the environment. Effort to reduce environmental impact include: -

- Hospital sustainability plan is to invest in renewable energy - Solar energy
- Installation of environmental friendly medical waste treatment plant i.e. Microwave/autoclave plant
- Expansion of liquid waste management system
- Recycling and reduction of waste production.

iii) Employee welfare

In management of Human Resource, we are guided by the Human Resource Policy and Procedure Manual of 2016 as well as Disciplinary Manual both from Public Service Commission. We also reference Mwongozo and PSC regulations of 2020.

The hospital is not an employing entity therefore the recruitment processes is vested under the CPSB.

The hospital conducted training needs assessment (TNA) The workers are aware of the hospital needs and future plans for advancements to create personalized career development plans that align with their goals and the hospital's needs. All what the hospital aspires to achieve in the near future is well outlined in the hospital's strategic plan 2023/2028.

The hospital recommends study leave for deserving staff to further their studies especially for specialization. We also provide opportunities for trainings for in service courses to equip our staff with knowledge and skill.

The hospital has a standing committee on OSHA however, the committee is inactive and requires some basic training on their roles.

iv) Market place practices

a) Responsible competition practice

The procurement processes are done in strict adherence to Public Procurement and Asset Disposal Act. Procurement committees are fully functional and with full autonomy from hospital management interference. The bidders are provided with contacts to raise any complain arising from procurement processes. The procurement unit is liberated from political influences however we encourage responsible politics which can add efficiency in our procurement especially during resource allocation. Adhering to procurement regulations ensures fair competition to bidders, suppliers and other merchants. Respect for competitors is assured through open procurement processes for fair awarding to successful bidders.

b) Responsible supply chain and supplier relations

Responsible supply chain has been created through empowering procuring unit to make independent decisions. this will allow them to adhere to professionalism hence maintaining

good business practice. Timely delivery and timely payment is key in procurement. The suppliers are informed of timeline in delivery of supplies, to be responsible to the suppliers, management ensures commitment in the vote is done and prompt payment as is executed.

c) Responsible marketing and advertisement

Through this, we have focused on ethical practices that prioritizes consumer trust, transparency and social responsibility. Efforts we have put in maintaining ethical practices includes:

- **Transparency and honesty:** This has done through ensuring honest advertising – we ensure that marketing messages are accurately disclosing the material facts and avoiding misleading or false promises. We ensure the bidders provide clear detailed information about features, pricing and potential risks of the product or services.
- **Adhering to legal standards and regulations:** We endeavour to comply with regulations set there in during marketing to promote ethical standards.
- **Ensure wide coverage during advertisement:** We endeavour to ensure the information reaches many potential tenderers and bidders. Floating of quotations is adequately done and in case of open tender, advertisement is done through a national print media then uploaded to public procurement information portal and enlisted in the hospital website.

d) Product stewardship

We endeavour to minimize negative impacts through clear labelling of products, provision of user manuals to users use and ensure safe disposal processes.

We ensure the products procured meets safety standards, this is done through having specific specifications to products and counterchecking them before receiving and acceptance.

Clear product information and labelling, this is done through transparent labelling that includes product ingredients, proper usage instruction, recycling guidelines and safety information. This helps the user to take appropriate caution when handling the product.

11. Corporate Social Responsibility/ Community Engagement:

The hospital is a non-profit making entity offering curative services to patients, to this we don't interact with outside community more often. However, we have some aspects of CSR whereby annually, in partnership with Meru Dairy Cooperative Union we engage dairy farmers in field day where we carry out free screening and treatment. Within the year we also carried screening of cervical cancer within the facility.

12. Report of the Board of Management

The Board members submit their report together with the unaudited Financial Statements for the year ended June 30, 2025, which show the state of the Meru Teaching & Referral Hospital's affairs.

Principal activities

The principal activities of the entity continue to be;

- (i) Offer Outpatient, Inpatient, Imaging, Dental, Laboratory, Pharmacy, Rehabilitative, Promotive, and Preventive healthcare services.
- (ii) Provide Specialised services like Oncology, ICU, HDU, Renal, Dermatology, Urology, Maxillofacial surgery, Endoscopic surgery, Ophthalmology, Paediatrics, Internal Medicine, Reproductive Health, General Surgery, Orthopaedics, Clinical Psychology, Psychiatry among other services.
- (iii) Act as a training centre for interns in various cadres such as medical and dental officers, nursing officers, pharmacy, clinical officers, laboratory technologist and technicians, nutrition officers, health records, public health officers, biomedical officers, physiotherapists, occupational therapists, radiographers among others

Results

The results of the entity for the year ended June 30 2025 are set out on **page 1 to page 6**

Board of Management

The members of the Board who served during the year are shown on **page viii to page ix**.

Auditors

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

By Order of the Board



.....
Dr. Bernard Murithi
Chief Executive Officer

13. Statement of Board of Management's Responsibilities

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

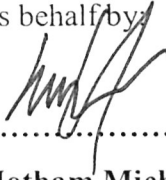
The Board of Management is responsible for the preparation and presentation of the Hospital's financial statements, which give a true and fair view of the state of affairs of the Hospital for and as at the end of the financial year (period) ended on June 30, 2024. This responsibility includes: (i) maintaining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

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

In preparing the financial statements, the Directors have assessed the Fund's ability to continue as a going concern. Nothing has come to the attention of the Board of management to indicate that the Hospital will not remain a going concern for at least the next twelve months from the date of this statement.

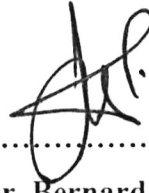
Approval of the financial statements

The Hospital's financial statements were approved by the Board on _____ and signed on its behalf by:



.....
Prof. Jotham Micheni

Chairperson Board of Management



.....
Dr. Bernard Murithi

Accounting Officer

REPUBLIC OF KENYA



Telephone: +254-(20) 3214000
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 MERU TEACHING AND REFERRAL HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2025 – COUNTY GOVERNMENT OF MERU

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Meru Teaching and Referral Hospital – County Government of Meru set out on pages 1 to 43, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial

Report of the Auditor-General on Meru Teaching and Referral Hospital for the year ended 30 June, 2025 – County Government of Meru

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

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

Basis for Qualified Opinion

Duplicate Records in Hospital Waiver Report

The statement of financial performance reflects medical services contracts losses amount of Kshs.23,897,138 being waivers and exemptions as disclosed in Note 17 to the financial statements. However, analysis of the hospital waivers report revealed duplicate records amounting to Kshs.440,561. The duplicates were identified by matching patient numbers, waiver dates, and waiver amounts, despite each record bearing a unique waiver number. This anomaly raises concerns over the accuracy, validity, and reliability of waiver data being generated and reported.

In the circumstances, the accuracy and completeness of medical services contracts gains/losses amount of Kshs.23,897,138 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.414,708,168 and Kshs.429,393,757 respectively resulting in over-funding of Kshs.14,685,590 or 4% of the budget. However, the Hospital spent Kshs.375,066,102 against actual receipts of Kshs.429,393,757 leading to under-utilization of Kshs.54,327,655 or 13% of the actual receipts.

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

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Other Matters

In the prior years' audit reports, three issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources. Review of the status during audit of the Meru Teaching and Referral Hospital's in 2024/2025 revealed that three matters remained unresolved and have been reiterated as substantial paragraphs since they are recurring. This is as summarized in attached summary below: -

1. Expired Serviceability Contract -The contracts between maintenance service providers and the Ministry had expired.
2. Deficiencies in Implementation of Universal Health Coverage (UHC)
3. Uninsured and Unvalued Medical Equipment

Other Information

Directors are responsible for the Other Information set out on page iii to xxxviii which comprise of Key Entity Information, Key Management, Board Information and Overall Performance, Chairman's Statement, Statement of Performance Against Board's Predetermined Objectives, Corporate Governance Statement, Management Discussion Analysis, Environmental and Sustainability Reporting and Statement of Board's Management 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 and I am required to report that fact. I have nothing to report in this regard.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the 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. Lack of Revenue Information/Inadequate Audit Evidence

The Hospital procured and implemented an upgrade of its Health Management Information Systems (HMIS) at cost of Kshs.630,000 in November, 2023. The system cannot generate user-specific reports, which hinders efficient monitoring and auditing of user activities. Further, the system's inability to generate user-specific reports also impedes the hospital's capacity to track revenue sources, audit staff activities, and provide accountability for collections. In addition, the system could not produce reports such as total transaction amounts per day, date and time of transactions, revenue collected by collection channel and period.

In the circumstances, value for money in the Kshs.600,000 spent in the system could not be confirmed.

2. Non-Adherence to Statutory Minimum Wage Requirements

Review of payroll records revealed that fifty-seven (57) staff employees, particularly casual and support staff, were paid wages below the prescribed statutory minimum wage as set out in the Kenya Gazette Notice on Minimum Wage (Special Issue Gazette Supplement No. 114 of Year 2022). The payments made were inconsistent with the legal minimum wage applicable to their job classifications and geographical location.

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

3. Expired Serviceability Contract

As previously reported, the audit review on the Managed Equipment Services (MES) showed that at the time of audit in the month of September, 2025, the contracts between maintenance service providers and the Ministry had expired. Therefore, some equipment including Leoni Mobil CPAP ventilator, blood gas analyzer, MX500 monitor, ventilator, nebulizer, electric bed, suction pump, syringe, pump and infusion pump were not serviced at the time of audit posing the following risks:

- Increased infection risk through outdated sterilization equipment might not effectively eliminate pathogens, increasing the risk of healthcare associated infections.

- Regulatory and Legal consequences through operating with expired equipment can lead to violations of health regulations, resulting in fines, loss of accreditation or legal liability in the event of adverse outcomes.

In the circumstances, benefits from the equipment may be reduced.

4. Failure to Deduct and Remit Public Procurement Capacity Building Levy

The Public Procurement Capacity Building Levy of 0.03% was not deducted and remitted to the Public Procurement Regulatory Authority (PPRA) effective on 1 September, 2024. This was contrary to circular No. 01/2024 referenced PPRA/6/5 VOL II (224) dated 30 August, 2024 which requires that all procuring entities should collect the levy from all suppliers on all procurement contracts signed between the supplier and a procuring entity. The amount should be remitted through e-citizen platform and file monthly returns to the Authority by 20th day of the subsequent month.

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

5. Failure to Budget for Climate Change and Climate Financing

Review of the Hospital's annual budget and financial plans revealed that the Hospital did not make any provisions for climate change mitigation or adaptation programs, nor for climate financing initiatives. There was no evidence of planned allocation of funds for projects or activities aimed at addressing climate risks, such as water source protection, energy-efficient operations, waste management improvements, or climate resilience measures. This was contrary to The National Climate Change Act, 2016, obligates public entities to mainstream climate change measures into their operational and development plans and to allocate adequate resources to address climate resilience and adaptation.

In the circumstances Management was in breach of the law.

6. Deficiencies in Implementation of Universal Health Coverage (UHC) – Inadequate Resourcing

Review of hospital records, interviews, and verification of services, equipment, and medical specialists in the Hospital at the time of audit revealed that the Hospital did not meet the requirements set out in the Kenya Quality Model for Health Policy Guidelines as below;

Staff/Facility Requirements	Standard	Number in Hospital	Variance
Medical officers	50	23	27
Anesthesiologists	7	1	6
General surgeons	4	3	1
Gynecologists	4	4	0

Staff/Facility Requirements	Standard	Number in Hospital	Variance
Pediatricians	4	2	2
Radiologists	4	2	2
Kenya Registered Community Health Nurses	250	233	17
Functional ICU Beds	12	9	3
Functional HDU Beds	12	6	6
Functional Theatres	7	7	0
Beds	500	364	136
Intensive Care Unit with at least 12 beds	12	9	3
High Dependency Unit with at least 12 beds	12	6	6
Maternity ward for six delivery coaches	6	6	0
New born unit with 10 incubators	10	5	5
Newborn unit with 6 HDU Cots	6	10	(4)
Seven operating theatres	7	7	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, the deficiencies denied the public the rights to health care services.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Lack of Approved Staff Establishment

The Meru Teaching and Referral Hospital did not have an approved staff establishment contrary to paragraph B 5(2) of the County Public Service Human Resource Manual, 2013 which states that all vacancies shall be declared in a prescribed format which shall include the number of vacancies, when the vacancy occurred, whether the vacancy is within the authorized establishment and other relevant details.

In the circumstances, it was not possible to establish if the Hospital operated at optimum staffing levels.

2. Use of Manual Payroll

The Hospital operates a manual system in processing its payroll. The use of Manual system requires manual calculation of deductions and net pay and constant monthly or annual updates of the data manually which is prone to error or manipulations. The Management did not provide a justification of maintaining a manual payroll and did not demonstrate mechanisms put in place to protect payroll data integrity in respect of the manual.

In the circumstances, the authenticity of the payroll records could not be confirmed with accuracy.

3. Lack of Insurance Coverage and Valuation for Medical Equipment

Physical inspection revealed that the hospital has modern equipment currently in use within the facility which are neither insured against loss or damage nor recorded with updated valuation in the asset and therefore, posing greater financial risks as they are exposed to financial liabilities.

In the circumstances, the Management could not provide the value of the medical equipment being used in the hospital which could lead to inadequate budgeting for maintenance, upgrades and replacement which could result to unexpected financial strain.

4. Disparity in Automation Between Private Clinic and Main Hospital Despite Use of Same EMR System

During the audit of the hospital's ICT systems, it was noted that both the corporate clinic and the main hospital utilize the same Electronic Medical Records (EMR) system/Health Information Management System. However, the main hospital has only implemented partial automation, with the EMR system primarily used for billing purposes. Key modules such as outpatient/inpatient records, pharmacy integration, and diagnostics are either not utilized or only partially operational. However, the private wing is fully integrated with all the modules working fully.

In the circumstances, failure to automate and integrate the systems hinders the economic, efficiency, effectiveness and accountability of services at the main hospital.

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

Responsibilities of Management and 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 control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall 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 are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is

not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I 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

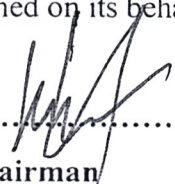
11 November, 2025

Meru Teaching & Referral Hospital (Meru County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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

Description	Note	FY 2024/2025	FY 2023/2024
		Kshs	Kshs
Revenue from non-exchange transactions			
In- kind contributions from the County Government	6	47,209,064	22,185,471
		47,209,064	22,185,471
Revenue from exchange transactions			
Rendering of services- Medical Service Income	7	477,375,454	412,645,883
Revenue from rent of facilities	8	900,000	1,080,000
Miscellaneous Income	9	7,353,477	1,635,948
Revenue from exchange transactions		485,628,931	415,361,831
Total revenue		532,837,995	437,547,302
Expenses			
Medical/Clinical costs	10	197,197,570	170,230,781
Employee costs	11	66,462,429	48,751,582
Board of Management Expenses	12	2,647,019	2,037,760
Depreciation and amortization expense	13	3,360,406	978,656
Repairs and maintenance	14	30,055,616	17,653,967
Grants and subsidies	15		14,303,980
General expenses	16	59,571,364	69,009,872
Total Expenses		359,294,404	322,966,598
Other gains/(losses)			
Medical services contracts Gains/Losses	17	(23,897,138)	(38,623,518)
Total other gains/(losses)		(23,897,138)	(38,623,518)
Net Surplus / (Deficit) for the year		149,646,453	75,957,186


The Hospital's financial statements were approved by the Board on _____ and signed on its behalf by:


.....
Chairman

Board of Management


.....
Head of Finance

ICPAK No: 22647


.....
Chief Executive Officer


15. Statement of Financial Position as at 30th June 2025

Description	Note	FY 2024/2025	FY 2023/2024
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	18	55,587,012	1,259,357
Receivables from exchange transactions	19	146,724,589	67,177,489
Inventories	20	21,425,750	15,254,211
Total Current Assets		223,737,351	83,691,057
Non-current assets			
Property, plant, and equipment	21	13,276,473	4,222,646
Intangible assets	22	1,521,920	510,400
Total Non-current Assets		14,798,393	4,733,046
Total assets (A)		238,535,744	88,424,103
Liabilities			
Current liabilities			
Trade and other payables	23	9,417,365	11,452,100
Total Current Liabilities		9,417,365	11,452,100
Non-current liabilities			-
Total non-current liabilities			-
Total Liabilities (B)		9,417,365	11,452,100
Net assets (A-B)		229,118,379	76,972,003
Represented by:			
Revaluation reserve			-
Accumulated surplus/Deficit		229,118,379	76,972,003
Capital Fund			-
Total Net Assets and Liabilities		229,118,379	76,972,003

Table 5: Statement of Financial Position as At 30th June 2025

The Hospital's financial statements were approved by the Board on _____ and signed on its behalf by:


.....
Chairman


.....
Head of Finance


.....
Chief Executive Officer

Board of Management

ICPAK No: 22647

16. Statement of Changes in Net Asset for The Year Ended 30th June 2025

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2023				
Revaluation gain		1,014,817		1,014,817
Surplus/(deficit) for the year		75,957,187		75,957,187
Capital/Development grants				
As at July 1, 2024		76,972,002	-	76,972,002
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	152,146,377	-	152,146,377
Capital/Development grants	-	-	-	-
As at June 30, 2025	-	229,118,379	-	229,118,379

Table 6: Statement of Changes in Net Asset for The Year Ended 30 June 2025

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

Description	Note	FY 2024/2025	FY 2023/2024
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Rendering of services- Medical Service Income		379,920,922	306,844,877
Revenue from rent of facilities		770,000	1,080,000
Miscellaneous receipts(<i>ultra- sonography training</i>)		1,493,771	1,635,948
Total Receipts		382,184,693	309,560,825
Payments			
Medical/Clinical costs		162,580,525	154,791,531
Employee costs		64,772,729	48,751,582
Board of Management Expenses		2,647,019	2,037,760
Repairs and maintenance		25,374,142	18,490,513
Grants and subsidies			14,303,980
General expenses		59,056,870	65,229,217
Finance costs			
Refunds paid out			
Total Payments		314,431,285	303,604,583
Net cash flows from operating activities	23	67,753,408	5,956,242
Cash flows from investing activities			
Purchase of property, plant, equipment & intangible assets		(13,425,753)	(5,711,702)
Proceeds from the sale of property, plant, and equipment			-
Acquisition of investments			-
Net cash flows used in investing activities		(13,425,753)	(5,711,702)
Cash flows from financing activities			
Net cash flows used in financing activities			-

Description	Note	FY 2024/2025	FY 2023/2024
		Kshs	Kshs
Net increase/(decrease) in cash and cash equivalents		54,327,655	244,540
Cash and cash equivalents as at 1 July	17	1,259,357	1,259,357
Cash and cash equivalents as at 30 June	17	55,587,012	1,259,357

Table 7: Statement of Cash Flows for the Year Ended 30 June 2025

Meru Teaching & Referral Hospital (Meru County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

18. Statement of Comparison of Budget and Actual Amounts for Year Ended 30th June 2025

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget carryovers from the previous year	-	-	-	-	-	%
Receipts						
Rendering of services- Medical Service Income	363,408,168.10	-	363,408,168.10	374,061,216.00	(10,653,047.90)	103%
Revenue from rent of facilities	1,080,000.00	-	1,080,000.00	770,000.00	310,000.00	71%
Finance interest income		-		-	-	-
Miscellaneous receipts (<i>specify</i>)	220,000.00	-	220,000.00	7,353,477.00	(7,133,477.00)	3342%
Contribution from County Government		50,000,000.00	50,000,000.00	47,209,064.00	2,790,936.00	94%
Total receipts	364,708,168.10	50,000,000.00	414,708,168.10	429,393,757.00	(14,685,588.90)	104%
Payments						
Medical Clinical costs	169,742,338.00	50,000,000.00	218,880,738.00	209,789,589.00	9,091,149.00	96%
Employee costs	66,724,168.00	561,600.00	67,285,768.00	64,772,729.00	2,513,039.00	96%
Remuneration of directors	3,000,000.00	-	3,000,000.00	2,647,019.00	352,981.00	88%
Repairs and maintenance	29,750,000.00	-	29,750,000.00	25,374,142.00	4,375,858.00	85%
Grants and subsidies		-		-	-	0%
General expenses	78,018,246.00	300,000.00	78,318,246.00	59,056,870.00	19,261,376.00	75%
Finance costs		-		-	-	
Refunds		-		-	-	
Total Operational Expenditure paid	347,234,752.00	50,861,600.00	397,234,752.00	361,640,349.00	35,594,403.00	91%
Capital Expenditure paid	17,473,416.00		17,473,416.00	13,425,753.00	4,047,663.00	
Surplus	17,473,416.10	(861,600.00)	17,473,416.10	67,753,408.00	(50,279,991.90)	

Table 8: Statement of Comparison of Budget and Actual Amounts for Year Ended 30 June 2025

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	A
1	Reason for differences	xx
2	Reason for differences	xx
3	Reason for differences	xx
4	Reason for differences	xx
	Closing Cash and Cash Equivalent as per the statement of Cash flows	xxx



19. Notes to the Financial Statements

1. General Information

Meru Teaching & Referral Hospital is established by and derives its authority and accountability from the **Meru County Health Services Act, 2016**. The entity is wholly owned by the Meru County Government and is domiciled in Meru County in Kenya. The Hospital's principal activity is to Offer Outpatient, Inpatient, Imaging, Dental, Laboratory, Pharmacy, Rehabilitative, Promotive, and Preventive healthcare services. Provide Specialised services like Oncology, ICU, HDU, Renal, Dermatology, Urology, Maxillofacial surgery, Endoscopic surgery, Ophthalmology, Paediatrics, Internal Medicine, Reproductive Health, General Surgery, Orthopaedics, Clinical Psychology, Psychiatry among other services. Act as a training centre for interns in various cadres such as medical and dental officers, nursing officers, pharmacy, clinical officers, laboratory technologist and technicians, nutrition officers, health records, public health officers, biomedical officers, physiotherapists, occupational therapists, radiographers among others

2. Statement of Compliance and Basis of Preparation

The Hospital financial statements have been prepared on the basis of historical cost, unless stated otherwise. The Hospital's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Hospital and all values are rounded to the nearest thousand (Ksh. '000'). The accounting policies have been consistently applied to all the years presented. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis. 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 at their estimated recoverable amounts and actuarially determined liabilities at their present value.

3. Adoption of New and Revised Standards

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

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

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

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 cash flows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>
IPSAS 45- Property Plant and Equipment	<p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the 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>

Standard	Effective date and impact:
<p>IPSAS 46 Measurement</p>	<p>Applicable 1st January 2025</p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
<p>IPSAS 47- Revenue</p>	<p>Applicable 1st January 2026</p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
<p>IPSAS 48- Transfer Expenses</p>	<p>Applicable 1st January 2026</p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
<p>IPSAS 49- Retirement Benefit Plans</p>	<p>Applicable 1st January 2026</p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public</p>

Standard	Effective date and impact:
	sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<p>Applicable 1st January 2027</p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ul style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.

Table 9: Adoption of new and Revised Standards

iii) Early adoption of standards

Meru County Teaching and Referral Hospital did not early – adopt any new or amended standards in the financial year.

4. Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

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

ii) **Revenue from exchange transactions**

Rendering of services

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

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 entity.

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 2024/2025 was approved by Board on 22nd **July 2024**. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Hospital recorded additional appropriations of **xxxx** on the FY 2024/2025 budget following the Board's approval. The Hospital's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts, and the actuals as per the statement of cash flows.

c. Taxes

Sales tax/ Value Added Tax

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

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

Notes to the Financial Statements (Continued)

- Taxation authority is included as part of receivables or payables in the statement of financial position.

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 **xxx** 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 derecognition. 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 entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

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 Entity. 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 Entity 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 Entity 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 Entity. 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. Biological Assets

The entity recognizes biological assets when it controls the assets due to past events, it is probable that future economic benefits associated with the asset will flow to the entity, and when the fair value or cost of the asset can be measured reliably. Biological assets are initially and subsequently measured at fair value less costs to sell, except where fair value cannot be reliably determined. In such cases, the asset is measured at its cost less accumulated depreciation and any accumulated impairment losses. Changes in fair value less costs to sell are recognized in surplus/deficit in the period in which they occur.

i. Research and development costs

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

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

j. Financial instruments

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

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

Financial assets

Classification of financial assets

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

Notes to the Financial Statements (Continued)

Notes to the Financial Statements (Continued)

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis.

Notes to the Financial Statements (Continued)

An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Impairment

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

Financial liabilities

Classification

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

k. Inventories

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

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

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

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

Notes to the Financial Statements (Continued)

I. Provisions

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

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

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

Notes to the Financial Statements (Continued)

m. Social Benefits

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

n. Contingent liabilities

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

o. Contingent assets

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

p. Nature and purpose of reserves

The entity creates and maintains reserves in terms of specific requirements. (*Entity to state the reserves maintained and appropriate policies adopted.*)

q. Changes in accounting policies and estimates

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

Notes to the Financial Statements (Continued)

r. Employee benefits

Retirement benefit plans

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

s. Foreign currency transactions

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

t. Borrowing costs

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

Notes to the Financial Statements (Continued)

u. Related parties

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

v. Service concession arrangements

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

w. Cash and cash equivalents

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

Notes to the Financial Statements (Continued)

x. Comparative figures

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

y. Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Useful lives and residual values

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

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

Notes to the Financial Statements (Continued)

Provisions

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

Notes to Financial Statements Continued

6. In Kind Contributions from The County Government

Description	FY	FY
	2024/2025	2023/2024
	KShs	KShs
Medical supplies-Drawings Rights (KEMSA)	27,676,283	22,185,471
Pharmaceuticals and Non-Pharmaceutical (other suppliers)	19,532,781	
Total grants in kind	47,209,064	22,185,471

Notes to Financial Statements Continued

7. Rendering of Services-Medical Service Income

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
Pharmaceuticals	69,534,503	71,912,164
Non-Pharmaceuticals	12,289,285	22,963,600
Laboratory	57,495,592	72,477,770
Inpatient	29,548,340	60,371,840
Psychiatry	8,103,850	714,202
Obstetrics/Gynaecology	61,355,339	10,752,618
Orthopaedic and Trauma Technology	28,718,910	1,257,805
Outpatient	15,327,485	46,730,505
Physiotherapy	2,549,500	2,356,217
Occupational therapy	12,340	678,860
Radiology/X-Ray	30,327,825	49,176,551
Antenatal Clinic & Mother Child Care	5,200,450	1,984,018
Clinics	6,217,250	1,624,722
Eye Clinic	8,692,820	8,384,993
Theatre	30,154,000	25,035,869
Accident and Emergency Service	2,309,000	1,471,931
Ear Nose and Throat service	7,093,600	1,429,075
Dental services	11,144,100	3,158,163
Farewell home services	10,972,100	10,138,185
ICU/HDU	11,866,095	9,790,961
Records	1,949,100	10,235,834
Cancer centre/ Oncology	12,861,355	
Paediatrics services	4,625,500	
Nursing Care	17,887,950	
Renal	14,839,492	
Neuro-Surgery	15,704,400	
Other Debtors	261,382	
Other medical services income (specify)	333,891	
Total revenue from the rendering of services	477,375,454	412,645,883

8. Revenue from Rent of Facilities

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
Commercial property	900,000	1,080,000
Total Revenue from rent of facilities	900,000	1,080,000

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

9. Miscellaneous Income

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
Ultra sonography Training Programme	1,493,771	1,099,175
Administration	5,859,706	536,773
Total Miscellaneous income	7,353,477	1,635,948

10. Medical/ Clinical Costs

Description	FY 2024/2025	FY 2023/2024
	Kshs	KShs
Dental costs/ materials & Surgical Implants	4,389,400	3,846,000
Laboratory chemicals and reagents	19,827,330	19,255,264
ICU Consumables	16,173,807	18,222,613
Food and Ration	20,593,367	20,591,349
Nutrition Supplements	3,113,605	4,404,164
Uniform, clothing, and linen	2,149,600	2,728,250
Dressing and Non-Pharmaceuticals	35,270,987	23,931,205
Pharmaceutical supplies	81,056,257	57,144,756
Health information stationery	4,878,782	5,859,805
Sanitary and cleansing Materials	6,467,526	4,631,525
Purchase of Medical gases	177,600	507,000
X-Ray/Radiology supplies	3,099,309	9,108,850
Total medical/ clinical costs	197,197,570	170,230,781

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Notes to the Financial Statements (Continued)

11. Employee Costs

Description	FY 2024/2025	FY 2023/2024
	Kshs	KShs
Salaries, wages, and allowances	58,374,142	42,370,017
Contributions to pension schemes	6,172,941	4,223,842
Staff medical expenses and Insurance cover	946,666	1,767,878
PAYEE	968,680	389,845
Employee costs	66,462,429	48,751,582

12. Board of Management Expenses

Description	FY 2024/2025	FY 2023/2024
	Kshs	KShs
Chairman's Honoraria	240,000	240,000
Sitting allowance	2,307,000	1,717,760
Mileage	100,019	80,000
Total	2,647,019	2,037,760

13. Depreciation and Amortization Expense

Description	FY 2024/2025	FY 2023/2024
	Kshs	KShs
Property, plant and equipment	2,979,926	851,056
Intangible assets	380,480	127,600
Total depreciation and amortization	3,360,406	978,656

14. Repairs and Maintenance

Description	FY 2024/2025	FY 2023/2024
	Kshs	KShs
Property- Buildings	9,131,714	4,150,728
Medical equipment	15,321,885	10,980,891
Computers and accessories	2,946,969	1,481,506
Motor vehicle expenses	2,655,048	1,040,842
Total repairs and maintenance	30,055,616	17,653,967

Repairs and maintenance costs relates to the Hospital PPE which are yet to be valued and incorporated into the financial statements in subsequent year's.

Notes to the Financial Statements (Continued)

15. Grants and Subsidies

Description	FY 2024/2025	FY 2023/2024
	Kshs	KShs
Grants and subsidies		14,303,980
Total grants and subsidies		14,303,980

16. General Expenses

Description	FY 2024/2025	FY 2023/2024
	Kshs	KShs
Advertising and publicity expenses	1,010,645	671,080
Catering expenses	3,367,274	2,754,016
Consultancy fees		3,999,499
Electricity expenses	28,360,214	35,000,000
Fuel and Lubricants	3,505,988	5,884,978
Other fuels	2,285,340	4,508,682
Travel and accommodation allowance	7,044,608	3,222,100
Courier and postal services	11,780	34,463
Printing and stationery	2,779,719	1,575,498
Water and sewerage costs	3,872,105	2,802,718
Telephone and mobile phone services	1,001,500	1,382,014
Internet expenses	2,989,028	1,420,551
Staff training and development	1,979,062	3,949,866
patients refund	977,033	1,521,692
Household Appliances	151,300	282,715
Corporate Social Responsibility	97,700	
Bank Charges	138,068	
Total General Expenses	59,571,364	69,009,872

Notes to the Financial Statements (Continued)

17. Medical Services Contracts Gains /Losses

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
Waivers and Exemptions	(23,897,138)	(38,623,518)
Total Gain/Loss	(23,897,138)	(38,623,518)

18. Cash and Cash Equivalents

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
Current accounts	55,587,012	1,259,357
Total cash and cash equivalents	55,587,012	1,259,357

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

Description	Account number	FY 2024/2025	FY 2023/2024
		KShs	KShs
a) Current account			
Kenya Commercial bank	1296080870	12,492,583	959,130
Kenya Commercial bank	1177110385	40,441,757	281,622
Cooperative Bank	01141997909400	2,652,672	18,605
Sub- total			1,259,357
Grand total		55,587,012	1,259,357

19. Receivables From Exchange Transactions

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
Medical services receivables	146,594,589	67,177,489
Rent receivables	130,000	
Total receivables	146,724,589	67,177,489

Notes to the Financial Statements (Continued)

19 (a). Analysis of Receivables from Exchange Transactions

Description	FY 2024/2025		FY 2023/2024	
	Kshs		Kshs	
	2024/2025	% of the total	2023/2024	% of the total
Less than 1 year	146,724,589	100%	67,177,489	100%
Between 1- 2 years				
Total (a+b)	146,724,589	100%	67,177,489	100%

20. Inventories

Description	FY 2024/2025	FY 2023/2024
	KShs	Kshs
Pharmaceutical supplies	5,051,779	793,359
Maintenance supplies	1,676,330	3,267,338
Food supplies	526,426	1,434,305
General supplies	148,499	398,154
Radiology	270,900	819,000
Non Pharmaceuticals	4,610,894	5,927,809
Laboratory Supplies	4,855,202	2,614,246
Other Fuels	584,760	
ICU Consumables	2,517,162	
Publishing & Printing	199,112	
Nutrition Supplements	1,119,685	
Renal Consumables	13,600	
Less: provision for impairment of stocks		
Total	21,425,750	15,254,211

Notes to the Financial Statements (Continued)

21. Property, Plant and Equipment

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
At 1 July 2023	-	-	-	-	-	-	-	-
Additions				1,323,100	1,041,015	2,709,587	-	5,073,702
At 30th Jun 2024	-	-	-	1,323,100	1,041,015	2,709,587	-	5,073,702
Depreciation and impairment		0.10	0.25	0.125	0.3333	0.125		
At 1 July 2024				1,157,712	694,045	2,370,889	-	4,222,646
Additions				985,163	3,856,490	7,192,100		12,033,753
Depreciation for the year				267,859	1,516,693	1,195,374		2,979,926
Disposals								
Impairment								
At 30th June 2025				1,875,016	3,033,841	8,367,615	-	13,276,473
Net book values								
At 30th Jun 2024				1,157,713	694,045	2,370,889	-	4,222,646
At 30th Jun 2025	-	-	-	1,875,016	3,033,841	8,367,615	-	13,276,473

Notes to the Financial Statements (Continued)

22. Intangible Assets-Software

Description	FY 2024/2025	FY 2023/2024
	KShs	Kshs
Cost		
At beginning of the year	510,400	
Additions	1,392,000	
Additions-Internal development		638,000
Disposal		
At end of the year	1,902,400	638,000
Amortization and impairment		
At beginning of the year		-
Amortization for the period	380,480	127,600
Impairment loss		-
At end of the year	1,902,400	
NBV	1,521,920	510,400

23. Trade and other Payables

Description	FY 2024/2025		FY 2023/2024	
	KShs		Kshs	
Trade payables	9,417,365		11,452,100	
Total trade and other payables	9,417,365		11,452,100	
Ageing analysis:	2024/2025	% of the Total	2023/2024	% of the Total
Under one year	9,417,368.78	100%	11,452,100	100%
1-2 years				
2-3 years	0	%		
Over 3 years	0	%		
Total	9,417,365 .00	100%	11,452,100	100%

Notes to the Financial Statements (Continued)

24. Cash Generated from Operations

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
Surplus for the year before tax	149,646,453	75,957,186
Adjusted for:		
Depreciation	2,979,926	851,056
Non-cash grants received		
Impairment	380,480	127,600
Gains and losses on disposal of assets		
Contribution to provisions		
Contribution to impairment allowance		
Working Capital adjustments		
Increase in inventory	(6,171,539)	(15,254,211)
Increase in receivables	(79,547,100)	(67,177,489)
Increase in deferred income		
Increase in payables	465,188	11,452,100
Increase in payments received in advance		
Net cash flow from operating activities	67,753,408	5,956,242

25. Financial Risk Management

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

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

(i) Credit risk

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

Notes to the Financial Statements (Continued)

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2024	67,177,489	67,177,489		
Receivables from exchange transactions				
Receivables from –non-exchange transactions				
Bank balances				
Total				
At 30 June 2025				
Receivables from exchange transactions	146,594,589	146,594,589		
Receivables from –non-exchange transactions	130,000	130,000		
Bank balances				
Total	146,724,589	146,724,589		

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the hospital has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has significant concentration of credit risk on amounts due from 2023. The board of management sets the hospital’s credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

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

Notes to the Financial Statements (Continued)

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	Between 1-3	Over 5	Total
	month	months	months	
	Kshs	Kshs	Kshs	Kshs
At 30 June 2024			11,452,100	11,452,100
Trade payables				
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
Total				
At 30 June 2025		9,417,364.78		9,417,364.78
Trade payables		7,727,664.78		
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation		1,689,700.00		
Total		9,417,364.78		9,417,364.78

Notes to the Financial Statements (Continued)

(iii) Market risk

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

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

a) Foreign currency risk

The entity 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 entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

The entity 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)

b) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

iv) Capital Risk Management

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

Related Party Balances

Nature of related party relationships

Entities and other parties related to the entity include those parties who have the ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates, and close family members. Meru County Government is the principal shareholder of the Hospital, holding 100% of the Hospital's equity interest. The National Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external. The related parties include:

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

Notes to the Financial Statements (Continued)

26. Events after the Reporting Period

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

27. Ultimate and Holding Entity

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

28. Currency

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

Notes to the Financial Statements (Continued)

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	Failure to maintain Revenue Cashbook	The hospital is maintaining monthly revenue Cash book with daily billings	Resolved	
2	Unreconciled Cash and cash equivalents	Amended statement of comparison of budget and actual amount was prepared and presented.	Resolved	
3	Unsupported Miscellaneous income	An addendum to the Original MOU was introduced to ensure compliance	Resolved	

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

1	Failure to prepare Financial Statements	During the FY 2021/22 and 2022/23, the Hospital did not have Financial Autonomy. The financial statements were prepared and submitted by the County Treasury	Resolved	
2	Unbalanced Budget	An amended statement of budget comparison was prepared and presented.	Resolved	
3	Expired Serviceability Contract	The management and the county government are in consultation with the MOH through the council of Governors on renewal of the contracts or engaging different service providers	Not Resolved	
4	Delayed National Hospital Insurance Fund (NHIF) Reimbursement	The outstanding NHIF amount has been reimbursed	Resolved	

5	Irregular payment of grants and subsidies to director of medical services	The hospital management through a Board resolution stopped the payments.	Resolved	
REPORT ON EFFECCTIVENESS OF INTERNAL CONTROLS RISK MANAGEMENT AND GOVERNANCE				
1	Non-compliance with Kenya quality model for health	The management has put several measures in place including; Construction of a new ward block(90% complete), upon completion shall increase bed capacity to 589, ICU beds to 18, HDU to 17. A new CT Scan Machine has been installed and the hospital is in the process of repairing the existing MRI Machine. The hospital is also in the process of Acquiring a new one.	Partially Resolved	
2	Drug policy	The hospital has since developed a drug policy and is the process of disposing the expired drugs	Resolved	

3	Lack of approved information and communication technology policy	An ICT Policy has been developed	Resolved	
4	Lack of risk management policy	The management has put in place risk management policy	Resolved	
5.	Lack of disaster recovery plan	The management has already developed a disaster recovery plan	Resolved	
6	Un insured and un valued medical equipment	The Hospital has engaged the county government to ensure the equipment's are valued and insured	Not Resolved	



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Accounting Officer