

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL
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REPORT

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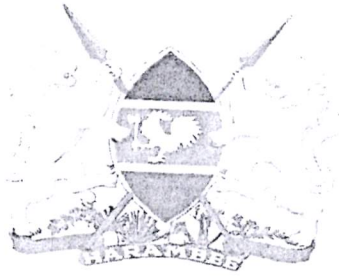
CHUKA COUNTY REFERRAL HOSPITAL

FOR THE YEAR ENDED
30 JUNE, 2025

COUNTY GOVERNMENT OF
THARAKA-NITHI

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REPUBLIC OF KENYA



COUNTY GOVERNMENT OF THARAKA NITHI



CHUKA COUNTY REFERRAL HOSPITAL

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2025

The financial statements are prepared in accordance with the Accrual Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS)

COUNTY GOVERNMENT OF THARAKA NITHI
COUNTY TREASURY



Telephone: 1513

Email: treasury@tharakanithi.go.ke

REF: TNC/FIN/CRH/Vol. 1/02



P. O. BOX 10-60406

KATHWANA

Date: 12th August 2025

The Auditor General
Embu Hub
P.O. Box 113 – 60400
EMBU

**RE: THARAKA NITHI COUNTY CHUKA COUNTY REFERRAL HOSPITAL
ANNUAL REPORT AND FINANCIAL STATEMENTS FY 2024/25**

In accordance to Public Financial Management Act 2012, Section 166 (1), we hereby submit Chuka Referral Hospital Report and Financial Statements for the year ended 30th June, 2025

Please find enclosed report for your necessary action.

Thank you

Lawrence K. Ileri Rweria

CECM- Finance, Economic Planning and Revenue Mobilization

cc

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

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Key Hospital Information and Management (continued)

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(j) Principal Legal Adviser


The Attorney General
State Law Office
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City Square 00200
Nairobi, Kenya

(k) County Attorney

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

3. KEY MANAGEMENT TEAM

Ref	Management	Details
1.	 <p>Dr. Maureen Kemuma Ogeto Medical Superintendent BDS (University of Nairobi)/ SMC-Kenya School of Government / MBA-Health Care Management (Ongoing, Strathmore Business School)</p>	<p>Provides overall leadership and strategic direction at Chuka Level 5 Hospital, overseeing clinical and administrative operations, driving quality care, staff motivation, and system improvements to position the hospital as a leading referral and teaching facility.</p>
2.	 <p>Lucy Gatwiri Muriungi Nursing Services Manager KRCHN/KR-Paeds/BScN/MSc (ongoing, Chuka University)</p>	<p>Oversees and coordinates all nursing activities within the hospital to ensure the delivery of high-quality patient care.</p>

3.	 <p>James Mwitiri Kiria Health Administrative Officer CPA3/M&E Certificate/BCom Banking & Finance/MBA Strategic Management- Ongoing, Tharaka University</p>	<p>Oversees the hospital's operations, including financial management, human resources, procurement, and supply chain to ensure efficient service delivery.</p>
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4. REPORT OF THE MEDICAL SUPERINTENDENT

Hospital Overview

Background Information

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

Catchment Population

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

Chuka County Referral Hospital Mission and Vision

Mission:

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

Vision:

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

Core Values:

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

Governance and Management Structure

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

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

Management Structure

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

1. Advisory/Discipline Committee
2. Cost Sharing Committee
3. Training Committee
4. Medico – Legal Committee
5. Waiver Committee
6. Infection Prevention Committee
7. Maternal Perinatal and Death Surveillance Response Committee
8. Quality Assurance Committee

9. Inspection and Acceptance Committee
10. Hemovigilance Committee
11. Prevention of Drug and Substance Abuse Committee
12. Welfare Committee
13. Procurement Committee
14. Disability Mainstreaming Committee
15. Medicine and Therapeutics Committee
16. Catering Committee
17. Emergency Response and Preparedness Committee

Infrastructure and Services Offered

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

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

Infrastructure

The hospital has the following key infrastructure

- Modern OPD Complex
- Modern OPD Waiting Bay
- Mother & Child Health Block (MCH)
- Records Department Block
- Chest Clinic/Public Health Block
- CCC Block
- Ct Scan Building
- X-ray Block
- Satellite Blood Transfusion Block
- Maternity A Block
- Maternity B Block
- New-born Unit (NBU) Block
- Female Ward + Old Amenity
- Male Ward

- Laundry Block
- Kitchen
- New Amenity Ward
- MARP's Block
- Old Morgue
- New Morgue
- Maintenance Block

Important Infrastructure

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

Services

OPD

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

Special Clinics

These are run every week by the Consultant Specialists

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

INPATIENT

Chuka County Referral Hospital has a bed capacity of **two hundred and thirty seven beds (237)** as updated by the Kenya Medical Practitioners & Dentists Council (KMPDC).

The following services are offered

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

Human Resource for Health

The hospital has close to **450 staff** of various cadres. We are however, in need of the following cadres

- Gynaecologists (We currently have 2. An extra one will help manage the high workload)
- Maxillofacial Surgeon
- Anaesthesiologist
- Cardiologist
- Pathologist
- Radiologist
- Nephrologist
- Neurosurgeon

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

Innovations and Recent Developments

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

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

Ongoing Developments

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

Projects to Start Soon

The National Equipment Services Program (NESP)

The National Equipment Service Programme (NESP), launched in December 2023 following expiry of the Medical Equipment Service (MES) scheme, is a joint initiative of the Ministry of Health and the Council of Governors designed to ensure continuous access to essential medical equipment—such as CT scanners, mammography machines, operating theatres, and laboratories—in county health facilities. Under NESP's fee-for-service (FFS) model, selected vendors shall supply, install, maintain—and upgrade as needed—medical equipment at no upfront cost to counties, receiving reimbursement based on service delivery tariffs drawn from the Social Health Insurance (SHA) framework. This shift relieves counties of capital expenditures, secures 95 % equipment uptime, supports staff training, and aims to strengthen Universal Health Coverage by enhancing service quality and sustainability across public facilities.

Challenges

- Resource constraints.
- Staffing Challenges – Low staff numbers and skills mix as per the staffing needs of a Level 5 Hospital. To achieve UHC.
- Congestion in the wards and in the morgue.
- Supply chain disruptions.
- Medical equipment downtime, mostly equipment that were in the MES Program due to end of contract and non-servicing of the same.
- Non-functional oxygen plant.
- Poor hospital terrain, and not roofed.
- The Social Health Insurance Act Challenges:
 - Chuka County being a gazetted Level 5 Hospital cannot offer Primary Health Care (PHC). This has driven patients away from the facility.
 - The mandatory upfront 1-year payment into SHA has introduced a financial barrier in accessing health care.



Sign

Date: 12th August 2025

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Dr. Maureen Kemuma Ogeto
Medical Superintendent

5. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

In line with Section 164(2) (f) of the Public Finance Management Act, 2012, this section provides a summary of Chuka Level 5 Hospital’s performance against predetermined objectives for the financial year 2024/2025. The hospital’s operations and development agenda are guided by its Strategic Plan, which is anchored on three strategic pillars: **Service Delivery & Clinical Excellence**, **Supply Chain & Resource Availability**, and **Human Resource & Organizational Culture**. These pillars were selected based on the hospital’s unique operating context, including persistent congestion in service areas, frequent stock-outs of essential medical supplies, and the need to strengthen workforce morale and accountability.

The hospital’s Annual Work Plan (AWP) for FY 2024/2025 was aligned to these three pillars and implemented through quarterly operational reviews. Specific performance indicators were tracked to measure progress and guide resource allocation. Notably, significant improvements were recorded in emergency department decongestion, availability of critical drugs, and staff satisfaction levels. These results reflect the hospital’s commitment to becoming a fully functional, responsive referral center that delivers safe, timely, and dignified healthcare to the people of Tharaka Nithi County and beyond, as indicated in the diagram below:

Strategic Pillar/The me/Issues	Objective	Key Performance Indicators	Activities	Achievements
Service Delivery & Clinical Excellence	To enhance the quality, safety, and accessibility of healthcare services.	- % reduction in OPD congestion - No. of hospital deliveries - OPD patient turnaround time	- Extend OPD hours of healthcare services. - Implement triage & fast-track systems - Strengthen maternal audits and Comprehensive Emergency Obstetric & New-born Care (CEmONC) services	- OPD congestion reduced by 40% - OPD waiting time reduced from 6 to 3 hours - Weekly departmental CMEs/teachings. - Increase in hospital deliveries. - Enrolled mothers into PROMPTS SMS Program for maternal health tracking.
Supply Chain & Resource Availability	To ensure consistent availability of essential medicines, equipment, and supplies.	- % of departments with zero stock-outs - % procurement plan execution rate.	- Enforce quarterly medicines requisitions. - Digitize inventory management	- Drug stock-outs reduced in 3 critical departments (Theatre, Maternity and Casualty). - Achieved 90% availability of tracer

Chuka County Referral Hospital (Tharaka Nithi County Government)
 Annual Report and Financial Statements
 For The Year ended 30th June 2025

			- Conduct monthly stock audits.	drugs across key departments.
Human Resource & Organizational Culture	To build a motivated, accountable, and high-performing workforce.	- Staff satisfaction score - Staff attrition rate - Number of CMEs and mentorship sessions held.	- Conduct annual skills gap assessments and tailor training plans - Conduct Annual Staff Appraisal - Implement flexible duty rosters to reduce burnout. -Continuous CMEs and peer mentorship	- Staff satisfaction improved from 67% to 80% - Annual attrition reduced by 25% - Weekly hospital CMEs conducted (48 er year).

6. MANAGEMENT DISCUSSION AND ANALYSIS

i) Operational Performance:

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

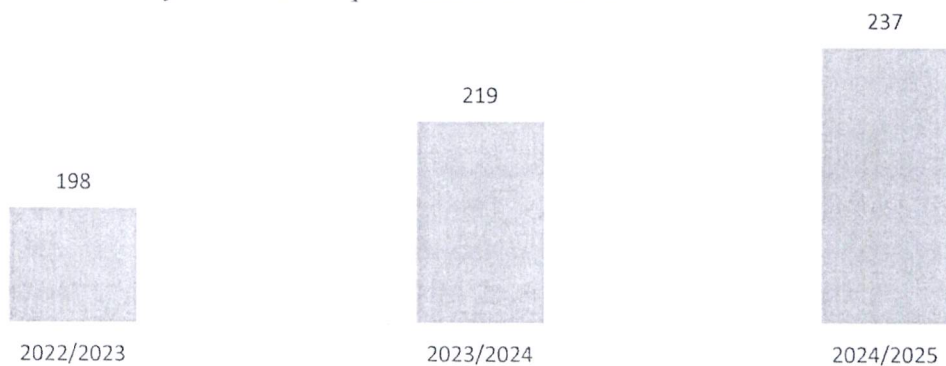
Clinical/operational performance

- Bed capacity of the hospital - **237**
- Overall patient attendance during the period for both inpatient and outpatient – **148,683 Patients (OPD 139,395 & IPD 9,288)**
- Accident and Emergency attendance – **5,447 patients**
- Specialised clinic attendance – **9,105 patients**
- Average length of stay for in patient – **9 days**
- Bed occupancy rate **174 %**
- Mortality rate **354/100,000 people**
- Surgical theatre utilisation – **13,749 surgeries (Minor – 11,652 & Major 2,097)**
- Sponsorships and partnerships - **TNCG, AMREF, Fred Hollows Foundation, Flying Doctors Society of Africa, Metropolis Star Lab (K) Limited, Safaricom Limited**

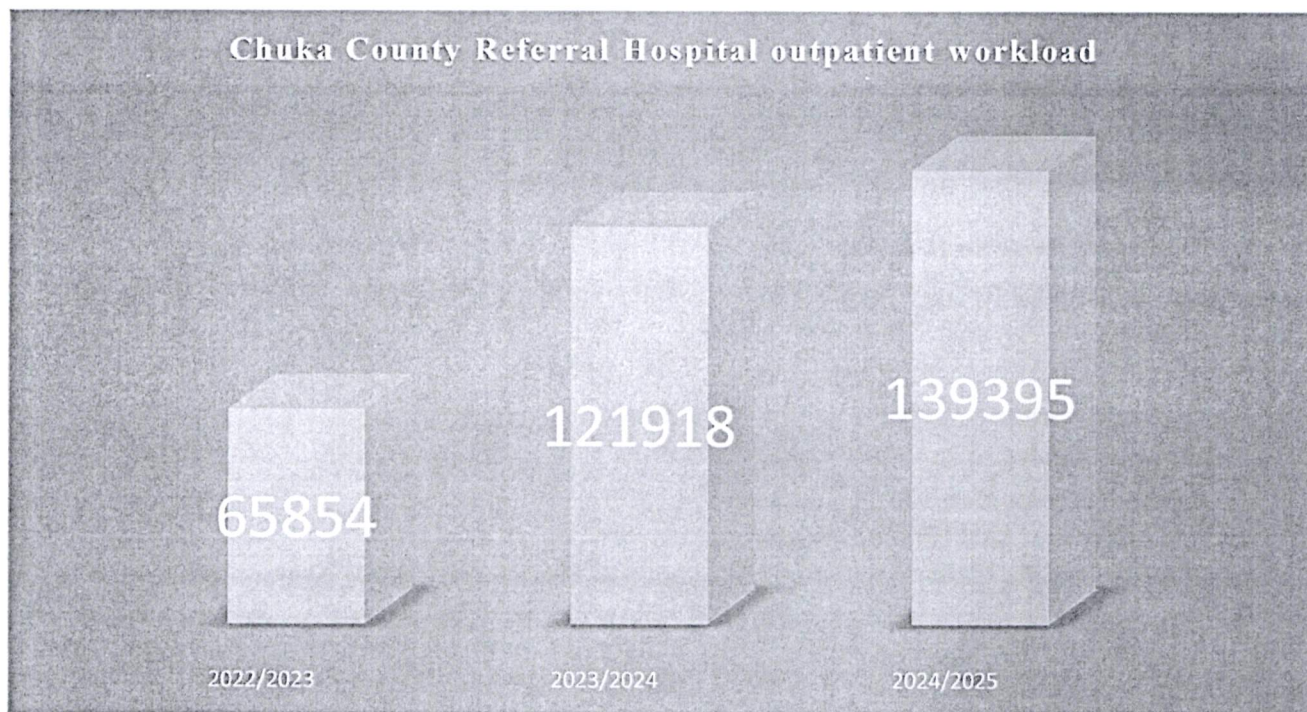
Financial performance that includes: -

- ❖ Revenue sources – County Government of Tharaka Nithi
- ❖ Revenue generated in the 2024/2025 F/Y – **Ksh. 199,130,670**

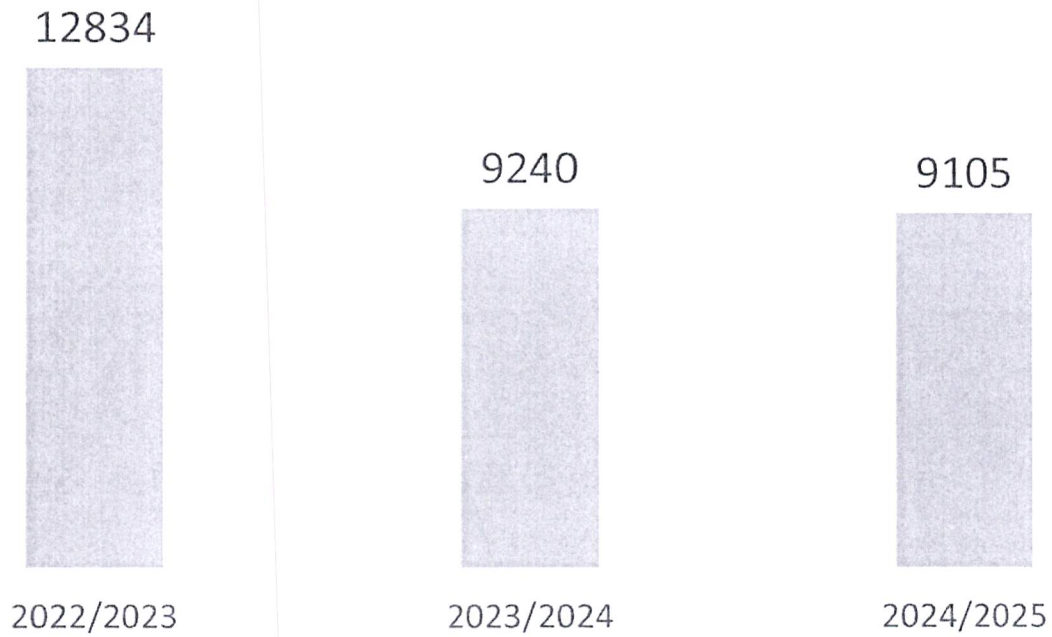
Chuka County Referral Hospital number of beds



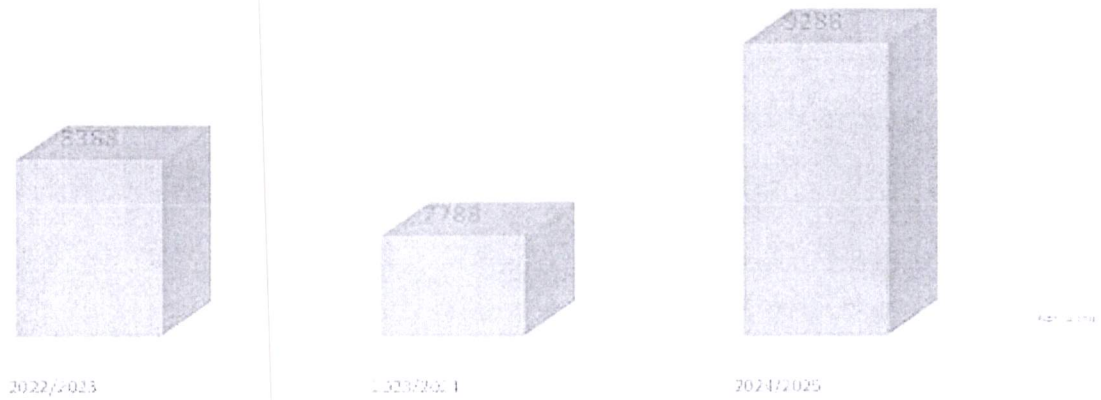
Chuka County Referral Hospital outpatient workload



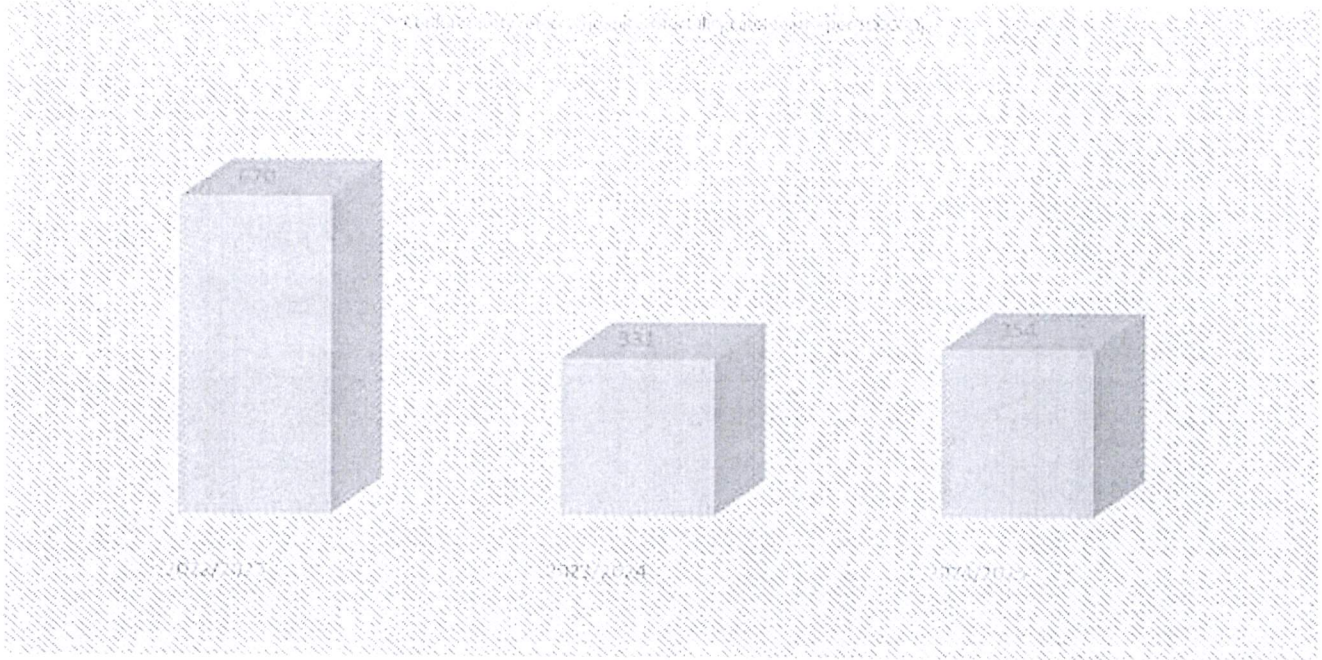
Chuka County Referral Hospital special clinic workload



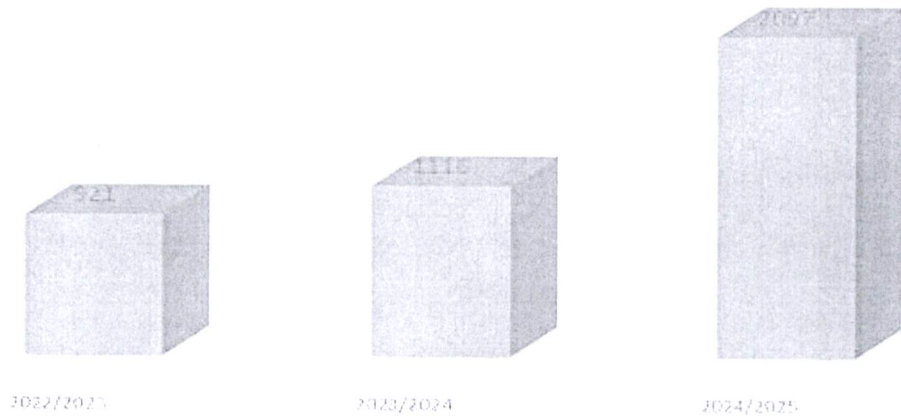
Chuka County Referral Hospital Admissions



Chuka County Referral Hospital (Tharaka Nithi County Government)
Annual Report and Financial Statements
For The Year ended 30th June 2025



Chuka county referral hospital - number of major operations



Sign

Date: 12th August 2025

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Dr. Maureen Ogeto
Medical Superintendent

7. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Introduction

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

Strategies

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

Challenges

- Budgetary constraints that limit funding to hospitals.
- Rising costs of medical supplies compounds the budgetary constraints.
- Unpredictable influx of patients from the neighbouring counties of Embu and Meru due to strikes by their healthcare workers strains our resources.
- Extreme weather events like prolonged dry seasons leads to erratic water supply to the hospital.
- Inadequate waste management systems.
- Rising cases of lawsuits related to medical malpractice.

- Urban growth with changes in disease patterns. There are increasing incidences of non-communicable diseases like diabetes, high blood pressure, obesity, malnutrition and heart diseases.

i) Environmental performance

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

ii) Employee welfare

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

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

iii) Market place practices-

a) Responsible Supply chain and supplier relations

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

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON CHUKA COUNTY REFERRAL HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2025 - COUNTY GOVERNMENT OF THARAKA - NITHI

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Chuka County Referral Hospital – County Government of Tharaka - Nithi set out on pages 1 to 23, which comprise of the

Report of the Auditor-General on Chuka County Referral Hospital for the year ended 30 June, 2025 – County Government of Tharaka - Nithi

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

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

Basis for Qualified Opinion

1. Inaccuracies in the Statement of Cash Flows

The statement of cashflows reflects comparative rendering of services – medical service income and comparative refunds paid out (Transfer to CRF) amounts of Kshs.110,670,298 and Kshs.39,834,452 respectively. However, the prior year audited financial statements reflect corresponding balances of Kshs.112,670,297 on account of rendering of medical services income and Kshs.124,438,800 on account of transfers to CRF resulting in unreconciled and unexplained variances of Kshs.1,999,999 and Kshs.84,604,348 respectively.

In the circumstance the accuracy of the statement of cashflows could not be confirmed.

2. Variance Between Claimed and Approved Amounts

Review of claims submitted to the Social Health Authority (SHA) by Chuka County Referral Hospital as at 30 June, 2025, revealed that several claims were approved for amounts lower than what the Hospital had submitted.

The Hospital submitted claims totalling Kshs.2,528,081, however, SHA approved an amount of Kshs.1,049,120 leading to a variance of Kshs.1,478,961. This discrepancy may have arisen from avoidable submission errors, non-adherence to SHA's documentation requirements or misinterpretation of SHA tariff guidelines. These issues not only affect the Hospital's revenue due to underpayment but also raise concerns about internal controls, staff training, and compliance culture within the hospital.

In the circumstances, the accuracy, completeness and internal controls on full optimization of refunds could not be confirmed.

3. Incomplete Assets and Delay in Installing and Commissioning of Intensive Care Unit (ICU) Equipment

The statement of financial position reflects total assets balance of Kshs.444,145,397 which includes property, plant and equipment net book value of Kshs.396,190,570. The latter balance excludes plant and medical equipment balance of Kshs.74,064,950 in respect of a contract for the supply, installation and commissioning of Intensive Care Unit (ICU) equipment at the facility within a period of one-hundred and twenty (120) days.

However, as at the time of the audit in July, 2025, after one hundred and twenty (120) days had elapsed, the intensive care unit materials had been delivered but had not been installed and commissioned. Therefore, the supplier was in breach of the contract.

In the circumstances, the accuracy and completeness of property, plant and equipment net book value of Kshs.396,190,570 and the value for money totalling Kshs.74,064,950 incurred on the contract could not be confirmed.

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

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.920,000,000 and Kshs.827,263,915 respectively resulting in an under-funding of Kshs.92,736,085 or 10% of the budget. Similarly, the Hospital spent Kshs.714,326,598 against actual receipts of Kshs.827,263,915 resulting to an under-utilization of Kshs.112,937,317 or 14% of the actual receipts.

The under-funding and 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, I have determined that there are no key audit matters to communicate in my report.

Other Information

The Board of Management is responsible for the Other Information set out on page i to xx which comprise of Key Entity Information and Management, Key Management Team, Report of the Medical Superintendent, Statement of Performance Against Predetermined Objectives, Management Discussion and Analysis and Environmental and Sustainability Reporting. The Other Information does not include the financial statements and my audit report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the 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. Irregular Transfer of Funds to the County Revenue Fund Account

The statement of financial performance reflects rendering of services – medical service income amount of Kshs.199,130,670 as disclosed in Note 7 to the financial statements. Review of revenue records revealed that County Receiver of Revenue collected and transferred the funds collected in respect of Chuka County Referral Hospital under Facility Improvement Fund to the County Revenue Fund (CRF). This contravened the requirements of Section 5 (1) of the Facilities Improvement Financing Act, 2023 which states that there shall be retention of all monies raised or received by or on behalf of all public health facilities.

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

2. Deficiencies in Implementation of Universal Health Care (UHC)

Review of Hospital records and interviews revealed there was no compliance with the Implementation of Universal Health Care (UHC) as detailed below:

	Category	Required No.	In Place	Deficiency
1.	Intensive Care Unit (ICU) Beds	12	0	12
2.	High Dependency Unit (HDU) Beds	12	0	12
3.	Beds	500	219	281
4.	Medical Officers	50	13	37
5.	Nurses	100	25	75
6.	Critical Care Nurses	48	9	39
7.	Enrolled Community Nurses	250	8	242
8.	Registered Community health Nurses	308	86	222

These deficiencies contravened the First Schedule of Health Act, 2017 and implied 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 could not be achieved.

In the circumstances Management was in breach of the law on classification of health services and guidelines, standards and policies for a Level 5 Hospital as per the Kenya Quality Model for Health Policy Guidelines.

3. Irregular Pooling of Funds to One Facility Improvement Fund Account

During the year under audit Chuka Referral Hospital had a Facility Improvement Fund account. It was noted that the funds for Chuka Referral, Magutuni Level 4, Tharaka level 4 and Kabunga Level 3 Hospitals were all pooled to a single Facility Improvement Fund account which was contrary to Section 5 (2) of The Facilities Improvement Financing Act, 2023 which states there shall be opened a facility improvement financing account for each public health facility into which shall be paid all monies received by or on behalf of the respective public health facility.

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

4. Long Outstanding Accounts Payable

The statement of financial position reflects account payables balance of Kshs.162,126,515 as disclosed in Note 18 to the financial statements. However, the management did not provide ageing analysis of the various accounts payables balances to support the balance in the financial statements. Further, Management did not demonstrate measures put in place to ensure bills are paid in time to avoid further accumulation and finally paying of huge amounts of interest on principal amounts. This was contrary to Section 53 (8) of the Public Procurement and Asset Disposal Act, 2015 which states that 'an Accounting Officer shall not commence any procurement

proceedings until satisfied that sufficient funds to meet the obligations of the resulting contract (s) are reflected in approved budget estimates’.

In the circumstances, the Hospital Management was in breach of the law and there is risk loss of public funds through litigations, interests and penalties.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Non-Functional Hospital Management Committee

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

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

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

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

2. Failure to Establish an Audit Committee

During the year under review, the Hospital did not have an Audit Committee. This was contrary to Regulation 167(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires each County Government entity to establish an Audit Committee.

In the circumstances, the Hospital did not benefit from the oversight role and advice from the Audit Committee and the internal audit function.

3. Lack of an Approved Disaster Recovery Plan

The Hospital operated an Information Technology (IT) system for capturing, storing and processing fees. In addition, the Hospital was responsible for custody of sensitive medical data of patients seeking its services alongside other operational data such as pharmaceutical and non-pharmaceutical inventory management activities. However, the Hospital did not have an approved IT continuity plan and disaster recovery plan.

In the circumstances, the Hospital may not effectively identify, prevent and mitigate against disasters and ensure continuity and un-interrupted operations.

4. Submission of Claims Exceeding SHA Gazetted Rates

An audit review of claims submitted by Chuka County Referral Hospital to the Social Health Authority (SHA) revealed that multiple claims were billed at rates above the gazetted (agreed) tariff limits, contrary to SHA policy and contractual terms.

From the sampled claims the Hospital submitted, claims totaling Kshs.471,918, whereas the applicable gazetted rates for the same procedures amounted to Kshs.180,000. SHA approved and paid Kshs.472,798, resulting in an excess of Kshs.292,780 above the allowable threshold based on the gazetted rates.

This practice indicates a systemic failure to adhere to SHA's pricing framework, and places the Hospital at risk of financial misreporting and regulatory non-compliance.

5. Lack of a Procurement Plan

Review of the Hospital's financial management processes revealed that Hospital did not have an approved procurement plan contrary to Section 53 (2) of the PPADA, 2015 which stipulates that an Accounting Officer shall prepare an annual procurement plan which is realistic in a format set out in the Regulations within the approved budget prior to commencement of each financial year as part of the annual budget preparation process.

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

6. Weaknesses in Revenue System Controls

6.1. Lack of System Administration and Access Rights

The Hospital does not have a designated system administrator and lacks access to the reporting portal for generating key revenue reports (billings, invoices, receipts) yet it is responsible for managing and accounting for revenue.

Lack of these rights may lead to weak IT and user access controls - absence of a system admin limits oversight on user activities and may expose the system to unauthorized transactions or data manipulation, dependence on external parties (Ministry of Health) for system reports which compromises data ownership, accountability, and timely reporting and violation of internal control principles - management cannot independently verify completeness and accuracy of system-generated revenue data.

6.2. Inadequate Revenue Reconciliation and Verification

The revenue accountant relies solely on M-Pesa and bank statements to prepare revenue reports. The auditor could not confirm whether the management ensures completeness and accuracy of revenue when system reports are not used for reconciliation.

Lack of revenue reconciliation and verification may lead to incomplete revenue reporting whereby transactions not reflected in M-Pesa or bank statements (e.g., unpaid invoices or pending bills) are excluded, leading to understatement or overstatement and no reconciliation between system-generated reports and bank/M-Pesa statements, which violates basic revenue control procedures.

Absence of reconciliation between system transactions and banking records increases the likelihood of unrecorded or misappropriated funds. The management has not shown that they conduct reconciliations between total billings, collections, and deposits to confirm that all revenue earned is banked. This may lead to revenue losses due to uncollected or diverted payments.

The Hospital collects revenue for the County Government, yet it lacks full control over its collection and reporting system. This contravenes the Section 68 of the Public Finance Management Act, 2012 regarding maintenance of effective internal controls over revenue when it lacks access to its own revenue system.

In the circumstances, the controls on revenue transactions could not be confirmed.

7. Weak Data Integrity and Audit Trail

Hospital Management cannot independently retrieve or review system-generated reports. The auditor could not confirm the mechanisms in place to ensure integrity and traceability of revenue data from the Ministry's system.

In the circumstances, in the absence of sound data integrity and audit trail, accuracy and completeness of transactions may not be achieved and increased risk of fraud or data tampering, as transactions cannot be independently verified.

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

Responsibilities of the Management and the Board of Management

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial

statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

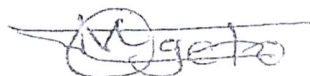
25 November, 2025

Chuka County Referral Hospital (Tharaka Nithi County Government)
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For the Year ended 30th June 2025


9. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th
JUNE 2025

Description	Note	FY 2024/2025	2023/2024
		Ksh	Ksh
Revenue from non-exchange transactions			
In- kind contributions from the County Government	6	625,974,272	466,685,487
Revenue from Non Exchange Transactions		625,974,272	466,685,487
Revenue from exchange transactions			
Rendering of services- Medical Service Income	7	199,130,670	112,670,297
Revenue from Exchange transactions		199,130,670	125,057,944
Total revenue		825,105,942	591,743,431
Expenses			
Medical/Clinical costs	8	78,192,743	44,706,299
Employee costs	9	389,937,720	398,208,516
Depreciation and amortization expense	10	17,806,745	8,976,777
Repairs and maintenance	11	1,027,180	3,010,000
General expenses	12	122,568,176	49,500,885
Total expenses		609,532,564	504,402,477
Net Surplus / (Deficit) for the Year		215,572,378	74,953,307

The Chuka Referral Hospital's financial statements were approved on 12th August 2025 and signed by:



Dr. Maureen Ogeto
Medical Superintendent



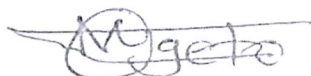
CPA Judith Muthoni
Chief Accountant
ICPAK No. 21856

Chuka County Referral Hospital (Tharaka Nithi County Government)
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10. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2025

Description	Note	FY 2024/2025	FY 2023/2024
		Ksh	Ksh
Assets			
Current assets			
Cash and cash equivalents	15	206,354	83,512
Receivables from exchange transactions	16	47,027,123	14,387,646
Prepayments	17	721,350	0
Total Current Assets		47,954,827	14,471,158
Non-current assets			
Property, Plant, and Equipment	18	396,190,570	335,196,713
Total Non-current Assets		396,190,570	335,196,713
Total assets (A)		444,145,397	349,667,871
Liabilities			
Current liabilities			
Trade and other Payables	19	162,126,515	119,011,987
Total Current Liabilities		162,126,515	119,011,987
Net Assets (A-B)		282,018,882	230,655,884
Represented by:			
Accumulated surplus/Deficit		(49,713,391)	(101,076,389)
Capital Fund		331,732,273	331,732,273
Net Assets		282,018,882	230,655,884

The Chuka Referral Hospital's financial statements were approved on 12th August 2025 and signed by:



Dr. Maureen Ogeto
Medical Superintendent



CPA Judith Muthoni
Chief Accountant
ICPAK No. 21856

Chuka County Referral Hospital (Tharaka Nithi County Government)
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11. STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30th
JUNE 2025

Description	Accumulated surplus / Deficit	Capital Fund	Total
	Ksh.	Ksh.	Ksh.
As at July 1, 2023			
Recognize Cash and Cash Equivalent	13,852,014		13,852,014
Recognize PPE		331,732,273	331,732,273
Recognize Account Payables B/F	(65,442,910)		(65,442,910)
Surplus /(deficit) for the Year	74,953,307		74,953,307
Transfer to CRF	(124,438,800)		(124,438,800)
As at June 30, 2024	(101,076,389)	331,732,273	230,655,884
At July 1, 2024	(101,076,389)	331,732,273	230,655,884
Surplus/(deficit) for the year	215,572,378		215,572,378
Transfer to CRF	(166,368,353)		(166,368,353)
At June 30, 2025	(49,713,391)	331,732,273	282,018,882

Chuka County Referral Hospital (Tharaka Nithi County Government)
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12. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30th JUNE 2025

Description	Note	FY 2024/2025	FY2023/2024
		Ksh	Ksh
Cash flows from Operating Activities			
Receipts			
Rendering of services- Medical Service Income		166,491,193	110,670,298
Total Receipts		166,491,193	110,670,298
Payments			
Refunds paid out (Transfer to CRF)		166,368,351	39,834,452
Total Payments		166,368,351	39,834,452
Net cash flows from operating activities			
Net increase/(decrease) in cash and cash equivalents		122,842	(13,768,502)
Cash and cash equivalents as at 1 July 2024		83,512	13,852,014
Cash and cash equivalents as at 30 June 2025		206,354	83,512

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13. 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 utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Ksh	Ksh	Ksh	Ksh	Ksh	
Revenue						
Transfers from the County Government	700,000,000		700,000,000	625,974,272	(74,025,728)	89%
Rendering of Medical Services- Income	220,000,000		220,000,000	201,289,643	(18,710,357)	91%
Total Income	920,000,000	0	920,000,000	827,263,915	(92,736,085)	90%
Expenses						
Medical / Clinical costs	100,000,000		100,000,000	78,192,743	(21,807,257)	78%
Employee Costs	400,000,000		400,000,000	389,987,155	(10,012,845)	97%
Remuneration of Directors	50,000		50,000	0	(50,000)	0%
Repairs and Maintenance	1,200,000		1,200,000	1,027,180	(172,820)	86%
Total Operating Expenditure	501,250,000	0	501,250,000	469,157,643	(32,092,357)	94%
Capital Expenditure	198,750,000		198,750,000	78,800,602	(119,949,398)	40%
Revenue Transfer to CRF	220,000,000		220,000,000	166,368,353	(53,631,647)	76%
Total Payments	920,000,000	0	920,000,000	714,326,598	(205,673,402)	78%
Surplus for the Year	0	0	0	112,937,317	112,937,317	

14. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

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

2. Statement of Compliance and Basis of Preparation

Statement of compliance

The financial statements have been prepared in accordance with the PFM Act, 2012 and International Public Sector Accounting Standards (IPSAS).

Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Hospital. The accounting policies adopted have been consistently applied to all the years presented.

Reporting period

The reporting period for these financial statements is for the Year ended 30th June 2025.

3. Adoption of New and Revised Standards

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

The Hospital did not adopt any new and amended standards during the financial year.

ii) Early adoption of standards

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

Chuka County Referral Hospital (Tharaka Nithi County Government)
Annual Report and Financial Statements
For The Year ended 30th June 2025

Notes to The Financial Statements (Continued)

4. Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

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

ii) Revenue from exchange transactions

Rendering of services

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

b. Taxes

Sales tax/ Value Added Tax

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

When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

When receivables and payables are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

c. Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the hospital recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in

Notes to The Financial Statements (Continued)

surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

d. Research and development costs

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

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

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

e. Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The hospital 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 hospital and a financial liability or equity instrument of another hospital. At initial recognition, the hospital measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification of financial assets

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

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

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

Subsequent measurement

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

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 hospital manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. The hospital trade receivables are from unpaid claims from medical insurance companies –NHIF, SHIF and AON. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Notes to The Financial Statements (Continued)

Impairment

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

Financial liabilities

Classification

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

f. Inventories

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

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

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

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

g. Provisions

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

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

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

h. Social Benefits

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

i. Contingent liabilities

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

j. Contingent assets

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

k. Nature and purpose of reserves

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

l. Changes in accounting policies and estimates

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

m. Related parties

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

n. Service concession arrangements

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

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Notes to The Financial Statements (Continued)

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 hospital also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

o. Cash and cash equivalents

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

p. Comparative figures

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

q. Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Notes to the Financial Statements (Continued)

Useful lives and residual values

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

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

Provisions

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

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Notes to The Financial Statements (Continued)

6. In Kind Transfers from the County Government

Description	FY 2024/2025	FY 2023/2024
	Ksh	Ksh
Salaries and wages	390,195,689	396,035,288
Medical Costs	66,232,581	40,428,899
General Expenses	85,703,206	27,373,200
Repairs and Maintenances	2,712,600	398,100
Acquisition of Assets (PPE)	81,130,196	2,450,000
Total	625,974,272	466,685,487

7. Rendering of Services-Medical Service Income

Description	FY 2024/25	FY 2023/24
	Ksh	Ksh
Hospital Fees and Charges	199,130,670	125,057,944
Total	199,130,670	125,057,944

8. Medical / Clinical Costs

Medical related clinical costs	FY 2024/2025	FY 2023/2024
	Ksh	Ksh
Dental costs/ materials	1,729,368	543,933
Laboratory chemicals and reagents	2,127,070	9,211,229
Food and Ration	24,485,530	15,515,440
Dressing and Non-Pharmaceuticals	19,544,675	3,374,000
Pharmaceutical supplies	21,545,450	13,209,697
Sanitary and cleansing Materials	891,150	0
X-Ray/Radiology supplies	7,869,500	2,852,000
Total medical/ clinical costs	78,192,743	44,706,299

9. Employee Costs

Description	FY 2024/25	FY 2023/24
	Ksh	Ksh
Salaries and Wages	389,937,720	398,208,516
Total	389,937,720	398,208,516

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Notes to The Financial Statements (Continued)

10. Depreciation and Amortization Expense

Description	FY 2024/25	FY 2023/24
	Ksh	Ksh
Depreciation	17,806,745	8,976,777
Total	17,806,745	8,976,777

11. Repairs and Maintenance

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Medical equipment	1,027,180	3,010,000
Total	1,027,180	3,010,000

12. General Expenses

Description	FY 2024/2025	FY 2023/2024
	Ksh	Ksh
Bank charges	31,900	0
Consultancy fees	59,017,594	10,952,588
Contracted services	40,044,090	21,627,880
Electricity expenses	10,360,695	8,447,854
Fuel and Lubricants	4,479,667	135,000
Printing and stationery	910,612	0
Water and sewerage costs	7,723,618	8,337,563
Total General Expenses	122,568,176	49,500,885

13. Medical Services Contracts Gains /Losses

Description	FY 2024/2025	FY 2023/2024
	Ksh	Ksh
Waivers and Exemptions	2,495,798	-
Total	2,495,798	-

14. Funds Transfers

Description	FY 2024/25	FY 2023/24
	Ksh	Ksh
Revenue Transfer to CRF	166,368,353	124,438,800
Total	166,368,353	124,438,800

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Notes to The Financial Statements (Continued)

15. Cash and Cash Equivalent

Description	FY 2024/25	FY 2023/24
	Ksh	Ksh
Chuka Hospital Revenue Account - 0540000533	38	2,123
M-pesa Till Number - 22287	206,316	81,389
Total Cash and Cash Equivalents	206,354	83,512

16. Account Receivable from Exchange Transactions

Description	FY 2024/2025	FY 2023/2024
	Ksh	Ksh
NHIF	11,993,731	14,387,646
SHIF	34,022,392	
AON	1,011,000	
Total Receivables	47,027,123	14,387,646

17. Prepayments

Description	FY 2024/2025	FY 2023/2024
	Ksh.	Ksh.
Food Rations	721,350	-
Total	721,350	-

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Notes to Financial Statements Continued

18. Property, Plant and Equipment

Description	Buildings	Plant and Medical Equipment	Civil Works	Total
	Ksh	Ksh	Ksh	Ksh
Cost				
At 1 July 2024	329,282,273	3,724,400	11,166,817	344,173,490
Additions		68,599,522	10,201,080	78,800,602
At 30th June 2025	329,282,273	72,323,922	21,367,897	422,974,092
Depreciation and impairment	2.5%	12.5%	2.5%	
At 1 July 2024	8,232,057	465,550	279,170	8,976,777
Depreciation for the year	8,232,057	9,040,490	534,197	17,806,745
At 30 June 2024	16,464,114	9,506,040	813,368	26,783,522
Net Book Values				
At 30 th June 2024	321,050,216	3,258,850	10,887,647	335,196,713
At 30th June 2025	312,818,159	62,817,882	20,554,529	396,190,570

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Notes to the Financial Statements (Continued)

19. Trade and Other Account Payables

Description	FY 2024/2025		FY 2023/2024	
	Ksh		Ksh	
Trade Payables	128,855,405		85,482,907	
Employee dues	33,271,110		33,529,080	
Total trade and other payables	162,126,515		119,011,987	
Aging analysis:	FY	% of the	FY	% of the
	2024/2025	Total	2023/2024	total
Under one year	145,267,292	90%	92,645,069	78%
1-3 years	14,918,024	9%	24,425,719	21%
Over 3 years	1,941,199	1%	1,941,199	2%
Total	162,126,515	100%	119,011,987	100%

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Notes to The Financial Statements (Continued)

20. Financial Risk Management

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

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

(i) Credit risk

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

Description	Total amount	Fully performing	Past due	Impaired
	Ksh.	Ksh.	Ksh.	Ksh.
At 30 June 2024				
Receivables from exchange transactions	14,387,646	14,387,646		
Receivables from –non-exchange transactions	0	0		
Bank balances	2,123	2,123		
M-pesa balances	81,389	81,389		
Total	14,471,158	14,471,158		
At 30 June 2025				
Receivables from exchange transactions	47,027,123	47,027,123		
Receivables from –non-exchange transactions	0	0		
Bank balances	38	38		
M-pesa balances	206,315	206,315		
Total	47,233,476	47,233,476		

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Liquidity risk management

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Ksh.	Ksh.	Ksh.	Ksh.
At 30 June 2024				
Trade Payables		119,011,987		119,011,987
Total		119,011,987		119,011,987
At 30 June 2025				
Trade payables		162,126,515		162,126,515
Total		162,126,515		162,126,515

Notes to the Financial Statements (Continued)

(iii) Market risk

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

Capital Risk Management

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

Description	FY 2024/25	FY 2023/24
	Ksh.	Ksh.
Revaluation reserve		

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Retained earnings	(49,713,391)	(101,076,389)
Capital reserve	331,732,273	331,732,273
Total funds	282,018,882	230,655,884
Total borrowings	162,126,515	119,011,987
Less: cash and bank balances	206,353	83,512
Net debt/ (<i>excess cash and cash equivalents</i>)	161,920,162	118,928,475
Gearing	61%	52%

Management of interest rate risk

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

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Notes to the Financial Statements (Continued)

21. Related Party Balances

Nature of related party relationships

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

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

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

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

Description	FY 2024/25	FY 2023/24
	Ksh.	Ksh.
Transactions with related parties		
a) Expenses incurred on behalf of related party		
In Kind Transfers	625,974,272	466,685,487
Total	625,974,272	466,685,487
Revenue Transfers		
Transfer to CRF	166,368,353	124,438,800
Total	166,368,353	124,438,800

22. Events after the Reporting Period

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

23. Ultimate and Holding Hospital

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

24. Currency

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