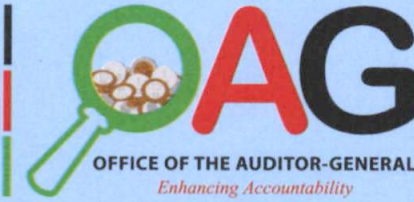


REPUBLIC OF KENYA



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OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability



REPORT

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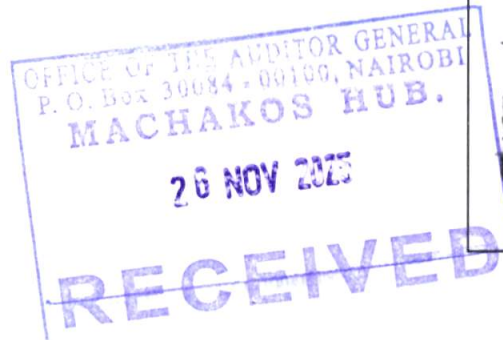
KANYANGI LEVEL 4 HOSPITAL

FOR THE YEAR ENDED
30 JUNE, 2025

COUNTY GOVERNMENT OF KITUI

250

Revised 30th June 2025



Kanyangi Level 4 HOSPITAL (Kitui 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

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

CSR	Corporate Social Responsibility
OSHA	Occupational Health & Safety Act
PFMA	Public Financial Management Act
MED SUP	Medical Superintendent
Fiduciary Management	Key management personnel who have financial responsibility in the entity.
CRF	County Revenue Fund
KSCH	Kanyangi Sub County Hospital.

2. Key Entity Information and Management

(a) Background information

Kanyangi Level IV Hospital is a gazetted public health facility by the ministry of health, Kenya Master Health Facility Registry number 12184. The Hospital is domiciled in Kitui County under the County ministry of Health and Sanitation. The hospital is governed by a Board of Management comprising of nine members drawn from different professional background. The hospital is in Kitui Rural Sub County and it is the only level IV hospital in the sub county.

(b) Principal Activities

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

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

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

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

(c) Key Management

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

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

(d) Fiduciary Management

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

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

(e) Fiduciary Oversight Arrangements

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

Key Entity Information and Management (continued)

(f) Entity Headquarters

P.O. Box 747-90200
Kyangi Level IV Hospital
Kyangi, Kitui

(g) Entity Contacts

Telephone: 0755155753
E-mail: medsupkyangihospital@gmail.com
Website: www.kitui.go.ke

(h) Entity Bankers

National Bank
Kitui Branch
P. O. Box 166- 90200
Kitui, Kenya

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

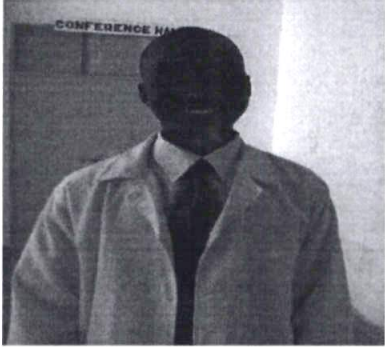

(k) County Attorney


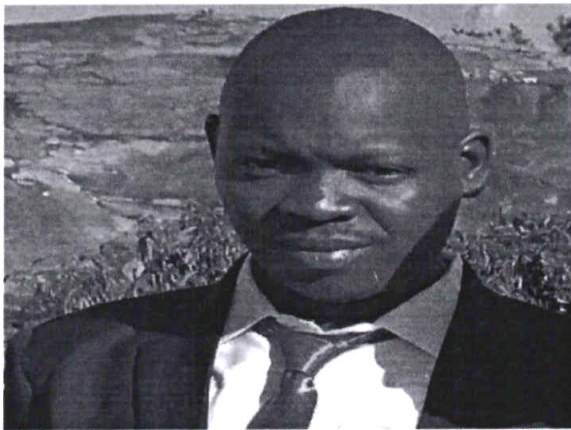
P.O. Box 33-90200
Kitui, Kenya


3. The Board of Management

Not in place.

4. Key Management Team

Ref	Management	Details
1.	<p>Name: Dr. Martin Nkulet. Qualifications. Bachelor of Medicine and Bachelor of Surgery</p>	<p>Medical Superintendent</p> 
2.	<p>Margaret Kavembe Qualifications. Bachelor of Commerce (Finance)</p>	<p>Head of Finance</p> 

<p>3. 3</p>	<p>Benson Mwaniki</p>	<p>Head of supply chain</p> 
<p>4. 4.</p>	<p>Desmond Matei Mathenge Qualifications: Bachelor of Commerce (Finance) CPA</p>	 <p>Health Administrative Officer</p>

<p>Vaati Masila</p> <p>Qualification</p> <p>s:</p> <p>5. Bachelor of</p> <p>Science in</p> <p>Nursing.</p>	 <p>Nursing Officer in Charge.</p>	
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5. Chairman's Statement

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

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Name

Chairman to the Board

6. Report of The Medical Superintendent


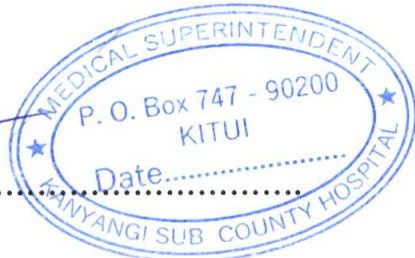
Kanyangi Sub County Hospital was established by Community members early in the 1970's as a dispensary. It was upgraded to a level IV Hospital in the year 2006. It is located along Kwa Vonza- Ikutha road at Kanyangi Market about 60 kilometers from Kitui town. The Hospital is in Kanyangi Location, Kanyangi Division, Lower Yatta Sub County, Kitui Rural Sub County, Kitui County. It was started with the aim of taking health care services close to the people. The hospital lives to promote community health and create conducive working environment for staffs and clients.

The hospital has a current catchment population of 12547 of which 6487 females and 6060 males. It serves several primary, secondary school and police stations located within the same location.

Several projects and activities were done during the period under review with the help of The County Government of Kitui and partners. Through The County Government of Kitui, the theatre is fully equipped and is ready for operation same to the hospital X-ray room. Further, more, the facility appreciates the services from our two clinical officers on locum. In partnership with World Vision, the facility has managed to construct a four-door pit latrine for male and female and supported monthly data review as well as community empowerment through our CHPs especially for MCH and Immunization services.

Under the same year of review, the hospital has faced various challenges. To begin with, the hospital is understaffed and it lacks some critical infrastructures such as dental unit, optical unit, imaging services, kitchen, stand-alone MCH, drug store, physiotherapy, occupational therapy room as well as an incinerator. The facility also lacks a stand by generator as a source for power backup. In addition, the facility is not adequately funded to smoothly carry out the services owing to the high cost of living as a result of inflation and also being the only level IV hospital in the sub-County it shoulders the responsibility of running the sub-County.

We look forward to more support from The National Government, The County Government of Kitui, our partners and well-wishers including non-governmental organizations in realization of the facility mission and vision as a Level IV Hospital as well as the best referral hospital in entire Kitui Rural Sub County and Kitui County at large.


.....


Name

Secretary to the Board

Dr. Martin Nkulet.

7. Statement of Performance Against Predetermined Objectives

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

Kanyangi sub county hospital (KSCH) has 3 strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2024- FY 2025. These strategic pillars/ themes/ issues are as follows;

Pillar /theme/issue 1: Revenue increase.

Pillar/theme/issue 2: Increase customer satisfactory.

Pillar/theme/issue 3: Enhance institutional capacity.

KSCH develops its annual work plans based on the above 3 pillars/Themes/Issues. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The KSCH achieved its performance targets set for the FY 2024/2025 period for its 3 strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar/ theme/ issue 1: Increase Revenue	To increase our services.	1.Increased services. 2.Increase customers. 3.Timely collection of revenue from patients	Increased revenue	Improvement in collection efficiency.
Pillar/ theme/ issue 2: Increased customer satisfactory.	Good customer relations	1. increased customer participation 2. Prompt handling customer complaint/issues	Good customer care services. Implement an effective feedback mechanism for customers.	Good customer relation
Pillar/theme/issue 3:	High productivit	1. Improved performance.	1Enhance staff training.	Being done.

Enhance institutional capacity	y and retain qualified staff. Increase funding to KSCH.	2. Increase staff motivation. 3. Timely collection of county government allocation located for facility	3. performance management and reward. 4.Enhance effective financial management	
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8. Corporate Governance Statement

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

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

Membership/Board of Directors.

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

Succession

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

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

Funds of the Committee

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

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

Meetings of the Committee

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

Functions of the Hospital Management Committee

The committee shall –

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

Core responsibilities of the Kyangi sub county hospital Management Committee

The responsibilities of the committee are outlined as follows: -

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

Vacation of office and remuneration of the committee members.

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

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

- (j) a member is found to be incompetent to hold the position
- (k) a member is convicted of an offence involving dishonesty or fraud
- (l) a member is adjudged bankrupt or enters into a composition scheme of arrangement with his or her creditors or
- (m) a genuine petition from the public is lodged against the member.

Remuneration: -

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

Relationship between the Hospital Management team and Hospital Management Committee

(1) The Hospital Management committee shall notify the hospital management team of all its meetings and ensure that the minutes and plans of every meeting are supplied to the hospital management team within seven (7) days of its meetings.

(2) The hospital management team shall ensure that the minutes received under this section are forwarded to the Chief officer in the county ministry of health and sanitation who shall in turn brief the County Executive Committee member on the minutes and plans.

9. Management Discussion and Analysis

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

Clinical/operational performance

Kyangi Sub County Hospital being geographically centrally located within Kitui Rural receives patients from Kyangi Ward and its environment

The facility bed capacity is 73, the facility also has a 1-bed accident and emergency room used for casualty patients.

SPECIALISED CLINIC ATTENDANCE

The following line graphs show the special clinics attendance for year ended June 2025 including Medical outpatient clinic (MOPC), Comprehensive care clinic (CCC) for HIV patients and Tuberculosis (TB) clinic.

There is a significant drop in MOPC clients towards the end of the fourth quarter which can be explained by lack of an insurance scheme and hard economic conditions and low income for the patients and thus could not access health care since the patients did not have any other form of health insurance to cover for their care.

Notes

The surgical theatre is not operational and currently houses the facility Laboratory, CCC clinic, Kitchen and Food store. In this regard only, minor operations under local anaesthesia are performed within the facility.

The facility also partnered with World Vision for the construction of two toilets in this financial year.

Financial performance that includes

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

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

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

The following table is a summary of the revenue collection for the period ending 30th JUNE 2025. A much more detailed outline of the same is highlighted in a later section of this statement.

Below is a consolidated summary of income and expenditure for the last 2 financial years

FINANCIAL YEAR	2024/2025	2023/2024
	Kshs.	Kshs.
Income	5,562,792	5,117,208
Income From Rendering Services	24,326,568	6,003,663
Expenditure	8,260,467	9,942,812
Difference	21,628,893	1,178,059

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

Employee cost **Kes.** 1,310,244

Medical cost **Kes** 2,132,820

Repair and Maintenance **Kes** 947,500

General Cost **Kes.** 2,920,326



.....
Name **Dr. Martin Nkulet**

Secretary to the Board

10. Environmental And Sustainability Reporting

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

i) Sustainability strategy and profile

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

ii) Environmental performance

The area around the hospital receives fair amount of rainfall.

iii) Employee welfare

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

Vii. Market place practices-

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

a) Responsible competition practice.

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

b) Responsible Supply chain and supplier relations

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

c) Responsible marketing and advertisement

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

d) Product stewardship

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

iv) Corporate Social Responsibility / Community Engagements

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

11. Report of The Board of Management

The Board members submit their report together with the Audited Financial Statements for the year ended June 30, 2025, which show the state of the *hospital's* affairs.

Principal activities

The principal activities of the Kanyangi level 4 hospital are to provide quality healthcare services.

Results

The results of the Kanyangi level 4 hospital for the year ended June 30 2025 are set out on pages 1 to

4

Board of Management

During the year, 2025 there was no appointment done to recruit new board. Their appointment was revoked as per gazette notice number 13546 dated 6th October 2023.

Auditors

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

By Order of the Board



.....
Date

Name Dr. Martin Nkulet

Secretary to the Board

12. Statement of Board of Management’s Responsibilities

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

The Board of Management is responsible for the preparation and presentation of the *Kanyangi level 4 hospital’s* financial statements, which give a true and fair view of the state of affairs of the *Kanyangi level 4 hospital* for and as at the end of the financial year (period) ended on June 30, 2025. 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 *Kanyangi level 4 hospital*, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the *Kanyangi level 4 hospital*; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

The Board of Management accepts responsibility for the *Kanyangi level 4 hospital’s* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (*– entities should quote applicable legislation as indicated under*). The Board members are of the opinion that the *Kanyangi level 4 hospital’s* financial statements give a true and fair view of the state of *Kanyangi level 4 hospital’s* transactions during the financial year ended June 30, 2025, and of the *Kanyangi level 4 hospital’s* financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the *Kanyangi level 4 hospital*, which have been relied upon in the preparation of the *Kanyangi level 4 hospital’s* financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Hospital’s financial statements were approved by the Board on 24/11/2025 and signed on its behalf by:

.....
Name:
Chairperson


Name: Martin Nkulet
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 KANYANGI LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2025 - COUNTY GOVERNMENT OF KITUI

PREAMBLE

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

- A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; 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 Kanyangi Level 4 Hospital - County Government of Kitui set out on pages 1 to 38, which comprise of the statement of

Report of the Auditor-General on Kanyangi Level 4 Hospital for the year ended 30 June, 2025 - County Government of Kitui

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 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 Kanyangi Level 4 Hospital - County Government of Kitui as 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) and comply with the Health Act, 2017, the County Governments Act, 2012 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Non-Disclosure of Property, Plant and Equipment

The statement of financial position reflects a Nil balance of property, plant and equipment. However, review of the Hospital's records and physical verification revealed various assets including land, buildings, motor vehicles, furniture, computers and equipment which were not disclosed in the financial statements. Further, ownership documents for land were not provided for audit review.

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

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

Key Audit Matters

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

Other Information

The Management is responsible for the Other Information set out on pages iii to xx which comprise of Key Entity Information and Management, The Board of Management, Key

Management Team, Chairman's Statement, Report of the Medical Superintendent, Statement of Performance Against predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Board of Management and Statement of Board of Management's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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 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. Deficiencies in Implementation of Universal Health Coverage

Review of the Hospital's records and interviews on verification of services offered, equipment used and medical specialists in the Hospital as at the time of audit in October, 2025 revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits of eighty-four (84) or approximately 83% of the authorized establishment.

Staff Requirements	Level 4 Standard	Number in Hospital	Variance	Percentage %
Medical officers	16	3	13	81
Anaesthesiologists	2	0	2	100
General surgeons	2	0	2	100
Gynaecologists	2	0	2	100
Paediatrics	2	0	2	100
Radiologists	2	0	2	100

Staff Requirements	Level 4 Standard	Number in Hospital	Variance	Percentage %
Kenya Registered Community Health Nurses	75	14	61	81
Total	101	17	84	83

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

Service	Level Hospital Standard	Actuals in the Hospital	Variance	Percentage %
Beds	150	73	77	51
Resuscitare (2 in labour & 1 in theatre)	3	2	1	33
New Born Unit Incubators	5	1	4	80
New Born Unit Cots	5	2	3	60
Functional ICU Beds	6	0	6	100
High Dependency Unit (HDU) Beds	6	0	6	100
Renal Unit with at least 5 Dialysis Machines	5	0	5	100
Two Functional Operational Theatres-Maternity & General	2	1	1	50

The deficiencies contravene the First Schedule of the 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 Hospital will not be able to deliver on its mandate.

2. Failure to Retain Facilities Improvement Funds (FIF) at the Hospital

Review of revenue records revealed that the Hospital collected a total Kshs.24,326,568 towards the health facilities improvement which include a total of Kshs.949,577 that was transferred to County Revenue Fund. This is contrary to Section 5(1) of the Facilities Improvement Financing Act, 2023 which requires that monies raised or received by or on behalf of Public Health Facilities be retained by the facility and be paid into a separate facility improvement financing account.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain

assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON THE 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 Hospital Management Board

Review of documents revealed that the Board of Management that is supposed to direct the Hospital in achieving its strategic objectives had not been constituted. In addition, the financial statements of the Hospital were not signed by the Chairman of the Board.

In circumstances, the Hospital will not be able to achieve its strategic objectives.

2. Lack of Finance Manual

The statement of financial performance reflects Kshs.92,138,708 and Kshs.70,509,815 in respect of total revenue and expenses respectively. However, there was no Finance Manual to guide in collection and utilization of revenue by the Hospital Management.

In the circumstances, the Hospital may not realize its full potential when operating without a Finance Policy.

3. Expired Medical Supplies

The statement of financial position reflects inventories balance of Kshs.3,658,721 which, as disclosed in Note 16 to the financial statements includes pharmaceutical supplies of Kshs.1,746,125. Review of records revealed that pharmaceuticals supplies totalling Kshs.39,198 had expired during the year under review. However, Management had not written any report and recommendations for their disposal. In addition, no mitigation measures had been put in place to avoid expiry of drugs in future.

In the circumstances, the effectiveness of internal controls on management of pharmaceutical supplies could not be confirmed.

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 control, 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 Hospital's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Hospital or to cease operations.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

02 December, 2025

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

Description	Note	2024/2025	2023/2024
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	6	5,562,792	5,117,208
In-kind contributions from the County Government	7	62,249,348	68,665,037
Revenue from exchange transactions		67,812,140	73,782,245
Rendering of services- Medical Service Income	8	24,326,568	5,818,762
Revenue from exchange transactions		24,326,568	5,818,762
Total revenue		92,138,708	79,601,007
Expenses			
Medical/Clinical costs	9	2,132,820	1,133,170
Employee costs	10	1,310,244	840,300
Repairs and maintenance	11	947,500	633,080
General expenses	12	2,920,326	2,514,369
Refunds to the County Government	8	949,577	4,636,992
In-kind contributions	7	62,249,348	68,665,037
Total expenses		70,509,815	78,422,948
Net Surplus / (Deficit) for the year		21,628,893	1,178,059

The Hospital's financial statements were approved by the Board on 24/11/2025 and signed on its behalf by:

..... *HC*
Chairman **Head of Finance** **Medical Superintendent**
Board of Management **ICPAK No: 28944** **DR. Martin Nkulet.**



15. Statement of Financial Position As At 30th June 2025

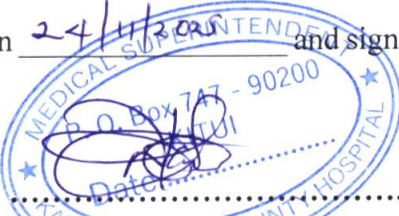
Description	Note	2024/2025	2023/2024
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	13	11,872,470	13,720
Receivables from exchange transactions	14	11,897,791	1,158,647
Receivables from non-exchange transactions	15		882,792
Inventories	16	3,658,721	4,019,728
Total Current Assets		27,428,982	6,074,887
Non-current assets			
Total Non-current Assets			
Total assets (A)		27,428,982	6,074,887
Liabilities			
Current liabilities			
Trade and other payables	17	1,446,080	1,720,877
Total Current Liabilities		1,446,080	1,720,877
Non-current liabilities			-
Total Non-current liabilities			
Total Liabilities (B)		1,446,080	1,720,877
Net assets (A-B)		25,982,902	4,354,010
Represented by:			
Revaluation reserve			
Accumulated surplus/Deficit		25,982,902	4,354,009
Net Assets		25,982,902	4,354,009

The Hospital's financial statements were approved by the Board on 24/11/2025 and signed on its behalf by:

.....
Chairman
Board of Management

He

Head of Finance *Winnie Mwa*
ICPAK No: *28941*

24/11/2025

Medical Superintendent
DR. Martin Nkulet.

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

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2023		(502,126)		(502,126)
Revaluation gain		-	-	-
Surplus/(deficit) for the year		1,178,059	-	1,178,059
Capital/Development grants		3,678,076	-	3,678,076
As at June 30, 2024	-	4,354,009		4,354,009
				-
At July 1, 2024	-	4,354,009	-	4,354,009
Revaluation gain				-
Surplus/(deficit) for the year		21,628,893		21,628,893
Capital/Development grants				-
At June 30, 2025	-	25,982,902	-	25,982,902

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

Description	Note	2024/2025	2023/2024
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government		5,562,792	5,617,208
Rendering of services- Medical Service Income		13,587,424	4,622,162
Total Receipts		19,150,216	10,239,370
			-
Payments			
Medical/Clinical costs		2,000,820	1,268,570
Employee costs		1,219,244	907,500
Repairs and maintenance		659,500	686,080
General expenses		2,462,326	2,767,939
Refunds to the County Government RF and operation account.		949,577	4,622,162
Total Payments		7,291,467	10,252,251
Net cash flows from operating activities	18	11,858,749	(12,881)
Cash flows from investing activities			
Purchase of property, plant, equipment & intangible assets			
Net cash flows used in investing activities			
Cash flows from financing activities			
Net cash flows used in financing activities			
Net increase/(decrease) in cash and cash equivalents		11,858,749	(12,881)
Cash and cash equivalents as at July 1, 2023	13	13,720	26,601
Cash and cash equivalents as at June 30, 2024	13	11,872,469	13,720

Kyangi level 4 Hospital (Kitui 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 30 Jun 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%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget carryovers from the previous year						
Revenue						
Transfers from the County Government	7,352,792	-	7,352,792	5,562,792	1,790,000	76%
Rendering of Services	24,326,568	-	24,326,568	24,326,568	-	100%
Total Income	31,679,360	-	31,679,360	29,889,360	1,790,000	94%
Expenses						
Medical / Clinical Costs	2,135,000	-	2,135,000	2,132,820	2,180	100%
Employee Costs	1,344,792	-	1,344,792	1,310,244	34,548	97%
Repairs and Maintenance (Buildings)	948,000	-	948,000	947,500	500	100%
General expenses	2,925,000	-	2,925,000	2,920,326	4,674	100%
Transfers to the County Government	24,326,568		24,326,568	949,577	23,376,991	4%
Total Operational Expenditure paid	31,679,360	-	31,679,360	8,260,467	23,418,893	26%
Capital Expenditure paid	-	-	-	-	-	
Surplus	-	-	-	21,628,893	(21,628,893)	

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	A
1	Transfer from county Government was due to implementation of FIF where the difference was due to internal transfer from facility revenue account to operation account to pay 3 months expenditure.	1,790,000
2	Refund was due to huge outstanding of unpaid claims	11,897,791
	Closing Cash and Cash Equivalent as per the statement of Cash flows	11,872,470

*Kanyangi level iv Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025*

19. Notes to the Financial Statements

1. General Information

- entity is established by and derives its authority and accountability from - Act. The entity is wholly owned by the - County Government and is domiciled in - County in Kenya. The entity's principal activity is -.

2. Statement of Compliance and Basis of Preparation

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

3. Adoption of New and Revised Standards

(When an IPSAS becomes effective on 1st January 2025, it is applicable in Kenya from 1st July 2025)

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 cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>

Standard	Effective date and impact:
<p>IPSAS 45- Property Plant and Equipment</p>	<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> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
<p>IPSAS 46 Measurement</p>	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
<p>IPSAS 47- Revenue</p>	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users</p>

Standard	Effective date and impact:
	<p>of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
<p>IPSAS 48- Transfer Expenses</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
<p>IPSAS 49- Retirement Benefit Plans</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
<p>IPSAS 50: Exploration For & Evaluation of Mineral Resources</p>	<p><i>Applicable 1st January 2027</i></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. <p><i>State the expected impact of the standard to the Entity if relevant</i></p>

iii) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year or *the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity's financial statements.)*

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 - was approved by Board on -. 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 *entity* recorded additional appropriations of - on the FY - budget following the Board's approval. The *entity'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 taxation authority is included as part of receivables or payables in the statement of financial position.

Notes to the Financial Statements (Continued)

d. Investment property

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

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

e. Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the 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. (amend as appropriate).*

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

Subsequent measurement

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

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value

through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

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.

l. 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. *(the entity to retain information relating to defined benefits or contributions, where both schemes are managed full policy applies)*

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.

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.

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.

Provisions

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

(Include provisions applicable for your organisation e.g provision for bad debts, provisions of obsolete stocks and how management estimates these provisions).

Notes to Financial Statements Continued

6. Transfers from the County Government

Description	Insert Current FY	Insert Comparative FY
	KShs	KShs
Unconditional grants		
Operational grant	5,562,792	5,117,208
Unconditional development grants		
Total	5,562,792	5,117,208

6 b Transfers from The County Government

Name of the Entity sending the grant	Amount recognized to Statement of financial performance* KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	Comparative Period FY 2023/2
			KShs	KShs	KShs
Kitui County Government	5,562,792	-	-	5,562,792	5,117,208
Total	5,562,792	-	-	5,562,792	5,117,208

7. In Kind Contributions from The County Government

Description	2024/2025	2023/2024
	KShs	KShs
Salaries and wages	55,620,641	54,691,952
Medical supplies-Drawings Rights (KEMSA)	2,080,141	2,735,612
Pharmaceuticals and Non-Pharmaceutical Supplies (other suppliers)	1,851,460	2,184,526
CMMB	0	562,400
Salaries and wages for ciheb		2,109,867
world vision		2,300,000
Grant theater commodities	2,697,106	4,080,680
Total grants in kind	62,249,348	68,665,037

Notes to Financial Statements Continued

8. Rendering of Services-Medical Service Income

Description	2024/2025	2023/2024
	Kshs	Kshs
Pharmaceuticals		694,130
Inpatient		43,540
Laboratory		88,488
Registration and Files		348,456
NHIF Outpatient		32,090
Physiotherapy		19,290
Therapy		1,450
consultation		42,333
NHIF and SHA collection	23,376,991	4,548,985
Mpesa collection	949,577	
Total revenue from the rendering of services	24,326,568	5,818,762

9. Medical/ Clinical Costs

Description	2024/2025	2023/2024
	Kshs	Kshs
Stationary	584,700	315,000
Food and Ration	878,420	475,020
Medical Records	200,000	136,600
Sanitary and cleansing Materials	302,000	206,650
Dressing and Non-Pharmaceuticals	167,700	
Total medical/ clinical costs	2,132,820	1,133,270

10. Employee Costs

Description	2024/2025	2023/2024
	Kshs	Kshs
Salaries, wages, and allowances	882,800	840,300
Staff medical expenses and Insurance cover	49,348	
Other employee costs (<i>locum</i>)	378,096	-
Employee costs	1,310,244	840,300

Notes to the Financial Statements (Continued)

11. Repairs And Maintenance

Description	2024/2025	2023/2024
	Kshs	Kshs
Property- Buildings	467,300	189,820
Equipment	-	64,400
Furniture and fittings	247,200	247,200
Motor vehicle expenses	233,000	378,860
Maintenance of civil works	-	0
Total repairs and maintenance	947,500	880,280

12. General Expenses

Description	2024/2025	2023/2024
	Kshs	Kshs
Bank charges	39,560	29,750
Electricity expenses		22,600
Fuel and Lubricants	1,050,216	1,130,000
Travel and accommodation allowance	729,550	346,519
General office supplies	498,000	728,500
standing imprest	234,000	
Water and sewerage costs	60,000	57,000
Other Fuels	129,000	20,000
Telephone and mobile phone services	180,000	180,000
Total General Expenses	2,920,326	2,514,369

13. Cash And Cash Equivalent

Description	2024/2025	2023/2024
	KShs	KShs
Current accounts	11,872,470	13,720
Total cash and cash equivalents	11,872,470	13,720

13 (a) Detailed Analysis of Cash and Cash Equivalents

Description		2024/2025	2023/2024
Financial institution	Account number	KShs	KShs
National bank	1001036319100	48,402	13,440
National bank	1001036306200	11,824,067	280
Total		11,872,470	13,720

14. Receivables From Exchange Transactions

Description	2024/2025	2023/2024
	KShs	KShs
Medical services receivables	11,897,791	1,158,647
Total receivables	11,897,791	1,158,647

Analysis of Receivables From Exchange Transactions

Description	2024/2025		2023/2024
	Kshs		Kshs
	Current FY	% of the total	Comparative FY
Less than 1 year	11,897,791	100%	1,158,647
Total	11,897,791	100%	1,158,647

15. Receivables From Non-Exchange Transactions

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
Transfers from the County Government	-	882,792
Total	-	882,792

Analysis of Receivables From Non-Exchange Transactions

Description	2024/2025		2023/2024
	Kshs		Kshs
	2024/2025	% of the total	2023/2024
Less than 1 year	-	100%	882,792
Total	-	100%	882,792

16. Inventories

Description	2024/2025	2023/2024
	KShs	KShs
Pharmaceutical supplies	1,746,125	4,091,728
Non-Pharmaceutical supplies	675,552	-
Linen	1,237,044	
Total	3,658,721	4,091,728

Detailed disclosure on inventories

	2024/2025	2023/2024
	FY kshs	FY kshs
Opening balance	4,019,728	-
Additional Inventory in the year	3,931,601	-
Inventory expensed in the year	4,292,608	-
Write-downs in the year	-	-
Others specify	-	-
Closing balance	3,658,721	-

Notes to the Financial Statements (Continued)

17. Trade and other Payables

Description	2024/2025		2023/2024
	KShs		KShs
Trade payables	1,446,080		1,725,045
Employee dues	-		
Third-party payments (e.g. unremitted payroll deductions)	-		
Total trade and other payables	1,446,080		1,725,045
Ageing analysis:	2024/2025	% of the Total	2023/2024
Under one year	969,000	100%	1,725,045
3-4 years	477,080 -	0%	-
Total	1,446,080	100%	1,725,045

18. Cash Generated from Operations

Description	2024/2025		2023/2024
	KShs		KShs
Surplus for the year before tax	21,628,893		1,178,059
Adjusted for:			
Depreciation			
Non-cash grants received			
Working Capital adjustments			
Decrease in inventory	361,007		854,666
Increase in receivables	-9,856,352		-2,041,439
Decrease in payables	-274,797		-4,168
Net cash flow from operating activities	11,858,751		-12,882

Notes to the Financial Statements (Continued)

19. Financial Risk Management

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

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

(i) Credit risk

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2024(previous year)				
Receivables from exchange transactions	1,158,647	1,158,647	-	-
Bank balances	13,720	13,720	-	-
Total	1,172,367	1,172,367	-	-
At 30 June 2025 (current year)				
Receivables from exchange transactions	11,897,791	11,897,791	-	-
Bank balances	11,872,470	11,872,470	-	-
Total	23,770,261	23,770,261	-	-

Notes to the Financial Statements (Continued)

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

(ii) Liquidity risk management

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

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

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

Foreign currency sensitivity analysis

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

Description	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2025 (previous year)			
Euro	10%	-	-
USD	10%	-	-
2025 (current year)			
Euro	10%	-	-
USD	10%	-	-

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.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of financial performance if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs - (2025: KShs -). A rate increase/decrease of 5% would result in a decrease/increase in surplus of KShs - (2025 – KShs -).

iv) Capital Risk Management

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

20. 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.

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

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

21. Events after the Reporting Period

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

22. Ultimate and Holding Entity

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

23. Currency

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

Kanyangi level iv Hospital (KITUI County Government)
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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:	Timeframe:
			<i>(Resolved / Not Resolved)</i>	<i>(Put a date when you expect the issue to be resolved)</i>
1	Innacuracies in the financial statement	The hospital management has worked on this.	Resolved	2025
2	Unsupported cash and cash equivalent	The hospital management acknowledged the observation and issue has been solved.	Resolved	2025
3	Non-Disclosure of property, Plants and Equipment	The management is committed to communicate with the ministry to perform revaluation process for the Assets.	Not resolved	2026

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4	Non-Disclosure of employee cost paid by county.	The hospital management has worked on this and data will be provided.	RESOLVED	2025
5	long outstanding trade and other payables	The management is working on getting all the payment document inorder to sort the issue raised.	Not resolved	2026
6	Deficiency in implementation on universal health coverage.	The hospital management in conjunction with county government is doing a follow Kanyangi up on complying of Kenya quality model for health policy requirement.	Not resolved	2026

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8	failure to register pharmacy with the pharmacy and poisons board.	The hospital management has solved the issue	RESOLVED	2025
9	Failure to dispose unserviceable assets	The hospital management through ministry of health and sanitation is working on disposing this unserviceable asset	Not resolved	2026
10	Lack of hospital management Board	The hospital management is working on having Board in place in order to meet its strategic objectives.	Not resolved	2026

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11	Expired medical supplies	The hospital management is doing a follow Kanyangi up on proper disposal of the expiries through the office of the public health.	Not resolved	2026
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Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report.
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from the final external audit report that is signed by Management.
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible the for implementation of each issue.
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.



Dr. Martin Nkulet
Accounting Officer

***Kanyangi level iv Hospital (KITUI County Government)
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Appendix II: Projects Implemented by The Entity

Projects

Projects implemented by the Hospital Funded by development partners

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1						
2						

Status of Projects completion

SN	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Purchase of theatre equipment for Kanyangi maternity theatre in order to operationalize the theatre	1,617,140	1,617,140	100%	1,700,000	1,617,140	county
2.	7 wheelchairs	196200	196200	100%	0	196200	county
3	1 voltage stabilizers	547335	547335	100%	0	547335	county
4	8 desktops	772000	772000	100%	0	772000	county

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Appendix III: Inter-Entity Confirmation Letter

Name of Transferring entity...county Government of Kitui.....

Name of Beneficiary entity.....Kyangi level iv hospital.....

Confirmation of amounts received by Kyangi level iv hospital as at 30 th June 2025					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
NBK24229KCKOGJOF	16-Aug-24	500,000		500,000	RECEIVED
NBK24277HJJGBDBF	3-Oct-24	500,000		500,000	RECEIVED
NBK24281M0FHLHMK	7-Oct-24	500,000		500,000	RECEIVED
NBK243100FCHGGLG	5-Nov-24	500,000		500,000	RECEIVED
NBK24332HDKHKKHO	27-Nov-24	882,792		882,792	RECEIVED
NBK24366C0KFKJG	31-Dec-24	500,000		500,000	RECEIVED
NBK24366KMFKBGDL	31-Dec-24	500,000		500,000	RECEIVED
NBK25031CBMMFDJM	31-Jan-25	500,000		500,000	RECEIVED
NBK25064GFGDCCOC	5-Mar-25	590,000		590,000	RECEIVED
NBK25094CJG0JCBF	4-Apr-25	590,000		590,000	RECEIVED
	Total			5,562,792	RECEIVED

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

Head of Accounts Department - Disbursing Entity:

Name .. *Amos Yati* Sign .. *He* Date .. *21/12/25*

Head of Accounts Department - Beneficiary Entity:

Name .. *Hinnie Mue* Sign .. *He* Date .. *21/12/25*

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