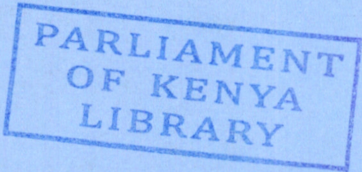


REPUBLIC OF KENYA



REPORT



OF

THE AUDITOR-GENERAL

ON

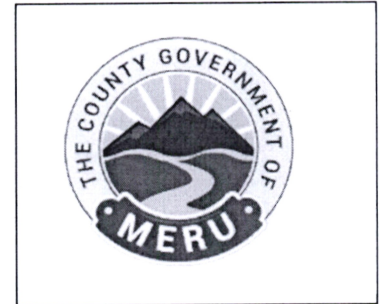
KANYAKINE SUB COUNTY HOSPITAL

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

COUNTY GOVERNMENT OF MERU

DATE	04/12/2025
TABLED BY	S-M-L
COMMITTEE	-
CLERK OF THE TABLE	Abdirahman

Revised 30th June 2025



KANYAKINE SUB - COUNTY HOSPITAL (Meru County Government)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2025

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

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Kanyakine Sub - County Hospital (Meru County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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1. Acronyms & Glossary of Terms

CSR	Corporate Social Responsibility
OSHA	Occupational Health & Safety Act
PFMA	Public Financial Management Act
MED SUP	Medical Superintendent
NHIF	National Hospital Insurance Fund
Fiduciary Management	Key management personnel who have financial responsibility in the entity.
CGM	County Government of Meru
KSG	Kenya School of Government
UON	University of Nairobi

2. Key Entity Information and Management

(a) Background information

Kanyakine Hospital is a level 4 hospital established under gazette notice number No. 786 and is domiciled in Meru County under the Health Department. The hospital is governed by a Board of Management.

(b) Principal Activities

The principal activity of Kanyakine Sub - County hospital is to offer comprehensive quality health care services.

(c) Key Management

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

- County department of health
- Board of Management
- Medical Superintendent
- Management

(d) Fiduciary Management

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

No.	Designation	Name
1.	Medical Superintendent	Dr. Evelyn Kawira
2	Nursing Manager Services	Jackline Gatabi Manene
3	Health Administrative Officer	Doreen Kanana Kimathi
4	Director of Accounts	CPA Timothy Kaaria
5	Accountant	Nkongge Eric Mutugi

(e) Fiduciary Oversight Arrangements

- County Assembly
- Parliamentary committees
- Department of Health, County Government of Meru

(f) Entity Headquarters

P.O. Box 76 – 60206, Kanyakine
 Meru – Embu Highway
 Meru County, KENYA

(g) Entity Contacts

Telephone: (+254) 0798484927
E-mail: mohkanyakine@gmail.com
Website: www.meru.go.ke

(h) Entity Bankers

Kenya Commercial Bank

(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


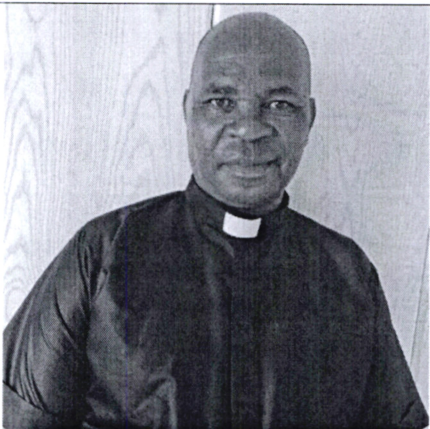

(k) County Attorney

P.O. Box. 120
Meru, Kenya

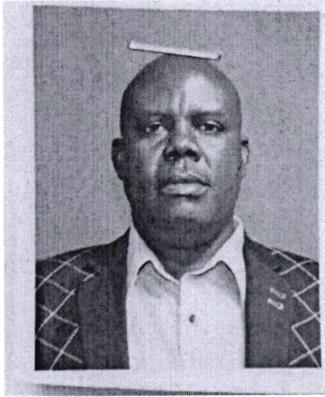


3. The Board of Management


Ref	Directors	Details
1.	 <p data-bbox="483 1165 766 1227">Adiel Gitobu Marangu Board Chairman</p>	<p>Work Experience: 2015: Retired to farming 2011 – 2014: AEO, Nkuene Division 2008 – 2011: TAC Tutor 2006 – 2008: Senior Approved Teacher 1 1996 – 2005: Headteacher 1976 – 1995: Deputy Headteacher</p> <p>Education Background: 1974 – 1976: Egoji TTC 1970 – 1973: Lenana School 1963 – 1969: Kithangari Pri School</p> <p>DOB: 17th March 1956 Non- Executive Chairman</p>
2.	 <p data-bbox="493 1641 762 1702">Kenneth M. Manyara Board Member</p>	<p>Work Experience: Chairman Kigakia Dairy Cooperative Society (2018 to date), Chairman KTDA Kinoro Tea Factory (2001 – 2021), Chairman Meru County Council (1997 – 2002), Honorary Secretary Abogeta Dairy Cooperative Society (1990 – 1996)</p> <p>Education Background: Bachelors of Project Management UON, Diploma in Public Relations, Certificate in Human Resource</p> <p>DOB: 01/01/1961. Independent Director</p>

Kanyakine Sub - County Hospital (Meru County Government)
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3.	 <p>Lucy Murugu Gitonga Board Member</p>	<p>Work Experience: Currently a retired teacher who previously taught at Consolata School Nairobi, Project Busara Kibera, Hospital Hill Nairobi Ass. Chair of BOM Kanyakine High School and Kithatu Girls' High School, Theological Education by Extension Parish Coordinator PCEA Kanyakine Parish, Patron Mwendwa Nyombayathi CBO</p> <p>Education Background: Masters in Education Administration, Africa Nazarene University, Bachelor in ECDE and Counselling Kenya Methodist University</p> <p>DOB: 22/03/1954. Independent Director</p>
4.	 <p>Rev. Fr. Silas Kimathi Board Member</p>	<p>Catholic Priest at St. Anne's Kariene Parish Serving priest for 34 years Former Highschool teacher for 17 years DOB: 01.01.1965 Independent Director</p>
5.	 <p>Jane Riara Mathendu Board Member</p>	<p>Work Experience: Delegate of Meru Teachers Sacco Director Meru TRS House Abogeta Land Control Board Member Chairperson of Imenti South MYWO Kanyakine Market Board Member Secretary of DCS residence NCDF Project Business Entrepreneur</p> <p>Education Background: S1, ATS III, ATS II, ATS I P1, Egoji Teachers College EACE, St. Mary's Girls Secondary School KAPE, Yururu Primary School</p> <p>DOB: 01.01.1950 Independent Director</p>

Kanyakine Sub - County Hospital (Meru County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025



<p>6.</p>	 <p>Roy Murithi Mutegi Board Member</p>	<p>Work Experience: Maralal Teaching & Referral Hospital Chuka Teaching & Referral Hospital Kithogo Sub County Hospital Kanyakine Sub County Hospital</p> <p>Education Background: Comprehensive Reproductive Health Course, Meru DTC KEPN, Mathare Medical Training College KRCHN, Meru Medical Training College KECHN, Machakos Medical Training College</p> <p>DOB: 1971 Independent Director</p>
<p>7.</p>	 <p>Kellen Mwendwa Nkanata Board Member</p>	<p>Work Experience: Business Management Public Relations</p> <p>Education Background: 1996 – 2000: KCSE, Chuka Girls Sec School 1988 – 1995: KCPE, Muringombaine</p> <p>DOB: 6/6/1978 Independent Director</p>
<p>8.</p>	 <p>Lawrence Mugambi Kaaria</p>	<p>DOB: 20/8/1975 Independent Director</p>

9.	 <p>Dr. Evelyn Kawira Majau Board Secretary</p>	<p>Work Experience: 2022 to date: Medical Superintendent & Family Physician Kanyakine Sub - County Hospital 2016 – 2022: Family Medicine Registrar Moi University 2012 – 2016: Medical Officer In Charge Giaki Sub-district Hospital 2011 – 2012: Medical Officer Intern Chuka District Hospital</p> <p>Professional Bodies Membership: Kenya Medical Association Kenya Association of Family Physicians Kenya IPC Network – IPNET KENYA Kenya Medical Practitioners Pharmacists & Dentists Union (KMPDU)</p> <p>Education Background: 2024 to date: Postgraduate Diploma in Cardiology, University of Birmingham 2024: Leadership Course, Strathmore University 2020: Strategic Leadership and Development Program, KSG 2018: Senior Management Course, KSG 2016 – 2022: Masters in Family Medicine, Moi University 2005 – 2011: Bachelor of Medicine & Surgery, Kampala International University 2000 – 2003: KCSE, Chogoria Girls’ High School</p> <p>DOB: 06/06/1986</p>
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4. Key Management Team

Ref	Management	Details
1.	 <p data-bbox="438 1308 762 1374">Dr. Evelyn Kawira Majau Medical Superintendent</p>	<p>Work Experience: 2022 to date: Medical Superintendent & Family Physician Kanyakine Sub - County Hospital 2016 – 2022: Family Medicine Registrar Moi University 2012 – 2016: Medical Officer In Charge Giaki Sub-district Hospital 2011 – 2012: Medical Officer Intern Chuka District Hospital</p> <p>Professional Bodies Membership: Kenya Medical Association Kenya Association of Family Physicians Kenya IPC Network – IPNET KENYA Kenya Medical Practitioners Pharmacists & Dentists Union (KMPDU)</p> <p>Education Background: 2024 to date: Postgraduate Diploma in Cardiology, University of Birmingham 2024: Leadership Course, Strathmore University 2020: Strategic Leadership and Development Program, KSG 2018: Senior Management Course, KSG 2016 – 2022: Masters in Family Medicine, Moi University 2005 – 2011: Bachelor of Medicine & Surgery, Kampala International University 2000 – 2003: KCSE, Chogoria Girls’ High School</p> <p>DOB: 06/06/1986</p>

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2.	 <p>CPA Timothy Kaaria Director of Accounts</p>	<p>Work Experience: Currently, Director of Accounts, CGM Previously; Director Energy, Chief Officer Lands & Public Works, Director Budget</p> <p>Professional Bodies Membership: ICPAK</p> <p>Education Background: Msc (Finance & Accounting), UON Bachelor of Commerce, UON CPA (K) DOB: 1972</p>
3.	 <p>Nkonge Eric</p>	<p>Accountant</p> <p>WORKING EXPERIENCE Currently, Accountant at Kanyakine SCH, Githongo SCH, Financial Reporting Unit and MCRB.</p> <p>Education Background Msc(Finance and Account),Meru university Bachelor of Commerce, ongoing CPA</p>

Kanyakine Sub - County Hospital (Meru County Government)
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4.	 <p>Jackline Gatabi</p>	<p>Nursing Service Manager</p> <p>Working Experience Kanyakine Sub-County Hospital Meru Teaching & Referral Hospital</p> <p>Education Background MSc.Nursing ,Meru University Bachelor of Science in Nursing CHUKA University Diploma in Nursing –Olive Irvine College of Health Science</p>
5.	 <p>Doreen Kimathi</p>	<p>Health Administrative Officer</p> <p>Working Experience Kanyakine Sub-County Hospital Timau Sub-County Hospital Meru Teaching & Referral Hospital</p> <p>Education Background MBA (Finance) KEMU Bachelor in Business Administration-KEMU</p>

5. Chairman's Statement

We are grateful to Almighty God for the good year 2024-2025. I am pleased to present the annual report and financial statements for Kanyakine Sub - County Hospital for the year that ended on 30th June 2025. Kanyakine Sub - County Hospital, a sub-county hospital located in Imenti South, Meru County, offers a comprehensive range of medical services including preventive, promotive, curative, and rehabilitative services. Our hospital is structured into several key departments: outpatient, inpatient, immunization, orthopaedic services, dental, palliative care, laboratory, radiology, maternity, morgue and specialized clinics conducted by experts.

Overview of the Financial Year 2024-25The financial year 2024-2025 has been marked with tremendous achievements in the facility. The Board of Management is delighted to highlight the following significant milestones and developments:

Installation of Oxygen plant in the facility:

The Meru County Government in collaboration with the ministry of Health have constructed the oxygen tank (540 litres) in the facility, the Oxygen plant has increased accessibility of Oxygen to our clients in the facility as well as supply to other health facilities with Oxygen. The oxygen plant has reduced the need to travel to get the oxygen from other facilities.

Piping of oxygen in the facility:

The Meru County in collaboration with AMREF Kenya have facilitated the piping of oxygen to all departments in the facility which has greatly increased the effective delivery of oxygen to our patients and has enhanced service delivery to our clients.

Infrastructure Renovations:

Major renovations were carried out in the outpatient ablution block and male ward ablution block, These improvements have resulted in increased customer satisfaction and enhanced the service delivery to our clients.

Purchase of the CIPAP machine:

The purchase of the CIPAP machine has led to an increase in the number of premature neonates referred to our facility for the management of the respiratory distress syndrome and has enhanced service delivery through improved quality of care to the neonates with respiratory conditions.

Construction of the UPS room in order to aid in the utilization of the digital

X-Ray machine:

The UPS and power stabilizer has facilitated the utilization of the digital X-Ray machine, which has led to an increase in the number of clients diagnosed with various chest conditions including TB.

The digital X- Ray machine has helped us to serve more clients efficiently, reducing the need for them to travel long distances for similar services.

Construction of the walkway has enhanced service delivery by aiding in the movement of the patient trolley and various equipments within the facility.

Piping of the borehole water has ensured a reliable and adequate water supply, significantly improving our operational capacity. The borehole water is also shared with the community who have expressed their appreciation for the initiative.

Purchase of the generator:

The facility has received a generator (125 kVA) from the County Government of Meru to facilitate provision of power supply to the various departments within the facility.

Installation of a transformer and meter in the facility:

A new transformer has been installed in the facility due to the high need for power in the facility.

Revenue Generation:

The increased workload has resulted in higher revenue generation, allowing the hospital to procure essential medicines, laboratory supplies, and non-pharmaceutical items.

Challenges and Future Plans

Despite our successes, we have faced several challenges:

1. **Staff Shortage:**

The hospital continues to grapple with a shortage of staff, which impacts our ability to deliver optimal services.

2. **Space Constraints:**

The growing demand for specialized consultants has highlighted the need for more space within our facility.

Strategic Expansion Plans

To further enhance our service delivery, we recognize the need to expand our facilities and services. Our future plans include the establishment of additional departments such as:

- Accident and Emergency
- Dialysis
- Intensive Care Unit (ICU)
- Advanced Diagnostic Radiological Services (CT scan, MRI)
- Oncology services
- Incinerator


These expansions are crucial to meet the increasing healthcare demands of our community and to provide comprehensive medical care.

Conclusion

In conclusion, the financial year 2024-25 has been a period of significant growth and development for Kanyakine Sub - County Hospital. We remain committed to improving our services and infrastructure to better serve our community. I extend my heartfelt gratitude to the Board of Management, our dedicated staff, and the County Government of Meru for their unwavering support.

Thank you.

Adiel Gitobu Marangu
.....
Name
Chairman to the Board


.....
Signature

6. Report of The Medical Superintendent

Kanyakine Sub- County hospital is a functional level 4 facility which offers comprehensive quality health care services to the residents of Imenti South Sub-County and the neighbouring Sub Counties of Meru and Tharaka Nithi County.


Being a Public Sub -County hospital, the facility serves as a referral facility for the 42 health facilities within Imenti South which includes Dispensaries and Health Centers.

The facility receives several emergency cases at the outpatient department due to its location along Meru-Embu Highway and serves an average of 600 clients daily.

Due to the high demand for the emergency care services, a number of health care workers have been trained on how to manage the acute conditions, emergencies and trauma patients through on job trainings, CMEs, and County trainings.

The facility has great potential for growth to a level 5 facility and offer comprehensive quality health care services to the residents of Imenti South and beyond by increasing the quality diagnostic services to the walk-ins and referred patients. In addition to a modern storied building which can incorporate the various departments including the Accident and Emergency department, Surgical, Paediatric, Gynaecological and Medical department as well as the administration block. ICU unit, oncology and dialysis services are required.

Dr. Evelyn Kawira Majau
.....
Name


.....
Signature

The Medical Superintendent

7. Statement of Performance Against Predetermined Objectives

Kanyakine Sub - County Hospital had identified four major strategic pillars in order to offer quality health care services to our clients by ensuring the services are affordable, accessible, available, efficient and effective.

Kanyakine Sub - County Hospital develops its annual work plans based on the strategic pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The hospital achieved its performance targets set for the FY 2024/2025 period, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
SERVICE DELIVERY	<ul style="list-style-type: none"> To offer quality medical Services 	<ul style="list-style-type: none"> Total number of clients seen Customer satisfaction score Increased workload Purchase of a CIPAP machine 	<ul style="list-style-type: none"> Quarterly data review meetings Budget allocation for the purchase of medical equipment e.g CIPAP 	<ul style="list-style-type: none"> Conducted four data review meetings Conducted one customer satisfaction feedback survey Purchased medical equipment including CIPAP machine.
INFRASTRUCTURE	<ul style="list-style-type: none"> Ensure 	<ul style="list-style-type: none"> Utilization of 	<ul style="list-style-type: none"> Constructio 	<ul style="list-style-type: none"> Power

	availability of key infrastructure	the digital X ray machine by availing the room for the UPS and power stabilizer <ul style="list-style-type: none"> ● Renovation of the ablution block in the Outpatient department and male ward ● Provision of clean water in the facility 	n of the UPS power stabilizer room <ul style="list-style-type: none"> ● Budget allocation for the renovation of the ablution block ● Piping of the borehole water in the facility 	stabilizer room constructed <ul style="list-style-type: none"> ● Renovation of the ablution block done ● Piped borehole water in the departments in place.
HUMAN RESOURCE GAP	<ul style="list-style-type: none"> ● To enhance service delivery 			
MEDICAL DRUGS AND NON-PHARMACEUTICALS	<ul style="list-style-type: none"> ● Adequate supply of pharmaceuticals and non pharmaceuticals 	<ul style="list-style-type: none"> ● Availability of the medical drugs and non pharmaceuticals 	<ul style="list-style-type: none"> ● Budget allocation for the drugs and non pharmaceuticals 	<ul style="list-style-type: none"> ● Budget allocated

8. Corporate Governance Statement

The Board of management held 8 Board meetings that were fully attended by its members. The hospital is in the process of preparing its Board Charter. During this financial year there were no cases of conflict of interest arising from the Board.

As per the Meru County Health Services Act 2016:

Board of the Hospital:

9. (1) A county and a sub-county hospital shall be governed by a Board appointed by the Executive Member and approved by the Governor consisting -

- (a) a non-executive chairperson;
- (b) the Medical Superintendent of the hospital who shall be an ex-official member and the secretary;
- (c) one officer of the department designated by the Executive Member from among members of county health management team or sub county health management team;
- (d) one person representing religious based organizations elected by a joint forum of the organizations in the county or sub county;
- (e) one person representing non-governmental organizations providing health services in the county or sub county elected by a joint forum of non-governmental organizations in the county or sub county;
- (f) one person representing persons with disabilities elected by the joint forum of organizations of persons with disabilities in the county or sub county;
- (g) one person elected by the joint forum of health professional bodies in the county or sub county, from amongst their members who are not public officers;
- (h) one person who has the knowledge or experience in finance or accounting; and
- (i) one person elected by women organizations involved in provision of health services in the county or Sub County.

Removal from Office

A person appointed under section 9 may:

- a) at any time resign by issuing notice in writing to the Executive Member;
- b) be removed from office by the Executive Member on the advice of the County Health Management Team and in case of a person appointed under section 9, in consultation with the Governor for
 - i. serious violation of the Constitution or any other written law;
 - ii. gross misconduct, whether in the performance of the functions of the office or otherwise;
 - iii. physical or mental incapacity to perform the functions of office;
 - iv. has been absent from three consecutive meetings of the Board without the permission of the chairperson;
 - v. incompetence; or
 - vi. bankruptcy.

Functions of the Board

The Board shall be responsible for:

- a) providing oversight over the administration of the hospital;
- b) promoting the development of the hospital;
- c) approving plans and programs for implementing county health strategies in the hospital;
- d) approving estimates before submission to the Chief Officer; and
- e) carrying out any other function assigned by the Executive Member.

9. Management Discussion and Analysis

The facility receives several emergencies at the outpatient department due to its location along Meru-Embu Highway and serves an average of 600 clients daily. The facility bed capacity is 80 beds in the in-patient department and a 50-bed capacity maternity with a bed occupancy rate of 98%.

The facility also offers specialist health care services to referred patients and also to the walk-ins. These services include: Gynaecology, Paediatrics, Surgical, Medical, ENT, Dental, Occupational health care services and pharmaceutical services.

During this financial year, primary care networks trainings were carried out with Kanyakine Sub County being identified as a Hub (referral facility) for the spokes within the sub county, five MDT activities (multidisciplinary activities) were carried out within the Sub county these activities targeted the screening of the non-communicable and communicable diseases and linkage to care for follow up for the identified cases as well as treatment of the conditions.

The facility acts as a training Institution for the medical students in various Universities and Colleges such as: MUST, KEMU and KMTC.

The total revenue generated in the financial year 2024-2025 was Ksh.48,978,268 million shillings, which was an increase from the previous year; this was due to an increase in the laboratory diagnostics and increased workload in the facility. In order to adequately offer comprehensive quality medical care, the facility has completed a number of projects in the last financial year carried out by the county government such as: Purchase of the generator (125 KVA), Installation of a transformer and KPLC meter in the facility. Installation of Oxygen plant in the facility, purchase of the UPS and power stabilizer for the digital X ray machine, piping of oxygen in the facility.

Through the Facility Improvement Funds (FIF) the facility has improved the quality of care across all the departments by Purchase of Non-Pharmaceuticals, Medical drugs and Laboratory supplies.

The process of the development of the hospital strategic plan is ongoing.

The facility has encountered few challenges during the year. Firstly, with the addition of new departments and increase in the workload, the facility has had to cope with the issue of space cutting across all the departments. In addition, the issue of shortage of staff, with an increased workload there is need for additional staff in order to offer quality health care. Finally, the referral system of the complicated cases that require services such as dialysis and ICU, since the facility does not offer these services, needs to be enhanced and efficient.



.....
Name: Dr. Evelyn Kawira Majau
The Medical Superintendent

10. Environmental And Sustainability Reporting

i) Sustainability strategy and profile

Kanyakine Sub- County hospital is a functional level 4 facility which offers comprehensive quality health care services. The hospital continues to introduce more health care services that are not offered anywhere in the sub county and have prudent financial management systems so as to maintain or continue offering services to the citizens of the country over the long- term

ii) Environmental performance

Kanyakine Sub- County hospital endeavors to manage its waste well by ensuring its environment is kept clean every day and the waste collected is appropriately collected and taken to a dumpsite as well as recycling what is able to be recycled

iii) Employee welfare

Kanyakine Sub- County hospital hires personnel on casual and contractual basis guided by the county human resource manual so as to achieve gender ratio as well as give opportunities to the persons living with disabilities. The employees are regularly trained to enhance their skills and knowledge.

iv) Market place practices-

a) Responsible competition practice.

Kanyakine Sub- County hospital does not tolerate corruption practices and is a no-corruption go zone

b) Responsible Supply chain and supplier relations

Kanyakine Sub- County hospital strictly adheres to the Public Procurement and Disposal Act and therefore maintains good business practices, and treats its own suppliers responsibly by honoring contracts and respecting payment practices.

v) Corporate Social Responsibility / Community Engagements

Kanyakine Sub- County hospital partnered with KCB Bank and Dream Trust Project of a CSR event during the year under review

11. Report of The Board of Management

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

Principal activities

The principal activity of Kanyakine Sub - County hospital is to offer comprehensive quality health care services.

Results

The results of the entity for the year ended June 30 2025 are set out on pages 1 to 5

Board of Management

The members of the Board who served during the year are shown on page v

Auditors

The Auditor General is responsible for the statutory audit of the Kanyakine Sub - County hospital in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



.....

Name: Dr. Evelyn Kawira Majau

Secretary to the Board

12. Statement of Board of Management’s Responsibilities

Section 164 of the Public Finance Management Act, 2012 and the Meru County Health Services Act, 2016 requires the Board of Management to prepare financial statements in respect of Kanyakine Sub - County Hospital, which give a true and fair view of the state of affairs of the Kanyakine Sub - County Hospital at the end of the financial year/period and the operating results of the Kanyakine Sub - County Hospital for that year/period. The Board of Management is also required to ensure that Kanyakine Sub - County Hospital keeps proper accounting records which disclose with reasonable accuracy the financial position of the Kanyakine Sub - County Hospital. The Board members are also responsible for safeguarding the assets of the Kanyakine Sub - County Hospital.

The Board of Management is responsible for the preparation and presentation of the Kanyakine Sub - County Hospital’s financial statements, which give a true and fair view of the state of affairs of the Kanyakine Sub - County 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 Kanyakine Sub - County 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 Kanyakine Sub - County 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 Kanyakine Sub - County 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 The Meru County Health Services Act, 2016. The Board members are of the opinion that the Kanyakine Sub - County Hospital’s financial statements give a true and fair view of the state of Kanyakine Sub - County Hospital’s transactions during the financial year ended June 30, 2025, and of the Kanyakine Sub - County Hospital’s financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the Kanyakine Sub - County Hospital, which have been relied upon in the preparation of the Kanyakine Sub - County 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 Kanyakine Sub - County 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 Kanyakine Sub - County Hospital’s financial statements were approved by the Board on 26th August 2025 and signed on its behalf by:



.....
Name: Adiel Gitobu. Marangu
Chairperson



.....
Name: Dr. Evelyn Kawira Majau
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 KANYAKINE SUB COUNTY HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2025 - COUNTY GOVERNMENT OF MERU

PREAMBLE

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

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

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on 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 Kanyakine Sub County Hospital set out on pages 1 to 23, which comprise of the statement of financial position as at 30 June, 2025, statement of financial performance, the statement of changes in net

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kanyakine Sub County Hospital 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 County Governments Act, 2012, Health Act, 2017 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccurate and Unsupported Accounts Receivable

The statement of financial position and as disclosed in Note 20 to the financial statements reflects receivables from exchange balance of Kshs.13, 637,595. However, the balance was not supported with movement schedules or general ledger. No debtor names, Identity Cards, amounts per debtor, or services rendered was provided to support the balance. Further, information corroborated with the Ministry of Health revealed that the Hospital disclosed amounts totalling Kshs.2,320,155 and Kshs.8,946,600 owed from SHA and NHIF respectively, resulting into a variance of Kshs.2,370,840 from the amount disclosed in the financial statements.

In addition, re-computation of the movement on the receivables from exchange transactions made up of a Nil opening balance of total expected amount for the period of Kshs.61,494,519 and total actual receipts for the period of Kshs.35,340,673 results to a balance of Kshs.26,153,846 leading to unreconciled and unexplained variance of Kshs.12,516,251.

In the circumstances, the accuracy and completeness of accounts receivable could not be confirmed.

2. Loss of Revenue Due to Rejected and Unreported SHIF Claims

During the audit of revenue from the Social Health Insurance Fund (SHIF) Scheme, it was noted that a number of eligible patient claims totalling Kshs.181,360 submitted to SHA by the Hospital were rejected. The Hospital was therefore, unable to recover costs for treatments already provided. Management did not provide reasons given by SHA for rejecting the claims.

Further, the Hospital did not disclose the same either as revenue receivable or revenue lost in the financial statements submitted for audit.

In the circumstances, the accuracy of receivables and/or medical contract losses could not be confirmed.

3. Undisclosed Land

The statement of financial position reflects property, plant and equipment net book value of kshs.1,934,623 as disclosed in Note 18 to the financial statements. However, value the land, documents of title and survey for the land on which the Hospital has been built were not provided for audit.

In the circumstances, the accuracy, completeness and ownership of the property, plant and equipment net book value of Kshs.1,934,623 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kanyakine Sub County 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.

Emphasis of Matter

Incorrect Level on Classification of the Hospital by the Social Health Authority

Audit revealed that although the Hospital is established and gazetted as a Level 4 facility under Gazette Notice No. 786, the Social Health Authority has captured and classified the Hospital as a Level 3 facility for the purposes of claims processing and benefits payment under Part VIII, Section 57 of the Social Health Insurance Act. Consequently, claims submitted by the Hospital have been reimbursed at Level 3 rates instead of the applicable Level 4 rates.

Other Matter

Unresolved Prior Year Matters

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, review of the status during audit revealed that the following matters remained as summarized in **Appendix I** unresolved as at 30 June, 2025.

Other Information

The Board of Management is responsible for the Other Information set out on page ii to xxi 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 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 the Lawfulness and Effectiveness in 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. Failure to Deduct and Remit Public Procurement Capacity Building Levy

Review of records revealed that the Hospital entered into contracts but no documentary evidence has been provided to confirm that the Hospital complied with paragraph 3(1) of the Public Procurement Capacity Building Levy, Order 2023 which states that there shall be paid a levy by a supplier on all procurement contracts signed between the supplier and a procuring entity, at the rate of 0.03% of the value of the signed contract, exclusive of applicable taxes. In addition, Public Procurement Regulatory Authority (PPRA) circular No. 01/2024 dated 30 August, 2024 which requires procurement entities to remit the levy

to the Authority through the e-Citizen payment platform by the 20th day of the subsequent month and also file monthly returns.

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

2. Long Outstanding Payables Not Forming First Charge

The statement of financial position and as disclosed in Note 19 to the financial statements reflects trade and other payables balance of Kshs.4,519,533. Review of ageing analysis provided for audit review revealed accounts payables balance of Kshs.919,878 which have been outstanding for a period of more than one year. It was therefore, not clear why the pending bills did not form first charge contrary to Section 41(2) of the Public Finance Management (County Government) Regulations, 2015 which requires debts service payments to form first charge.

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

3. Non-Compliance with Reporting Requirements on Preference and Reservations

Review of the Hospital procurement function revealed that it did not prepare or submit the mandatory bi-annual reports as required under Section 157(12) and (13) of the Public Procurement and Asset Disposal Act, 2015. Specifically, the Hospital did not certify compliance with the requirement to reserve at least thirty percent (30%) of its procurement budget for disadvantaged groups (youth, women, and persons with disabilities) nor did it provide disaggregated data on the beneficiaries of such procurement. In the absence of these reports, it was not possible to verify the level of compliance with the statutory provisions on preferences and reservations in public procurement.

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

4. Irregularities in Board of Management

4.1. Expired Board Term

Review of the Board composition for the Hospital revealed that the Board was appointed in October, 2018. As at the time of audit (2025), the Board had continued to serve beyond the cumulative six-year term limit prescribed in Mwingozo. No documented extension, reappointment, or evaluation was provided to justify their continued service.

4.2. Absence of Annual Board Evaluation

Review of the Board's activities revealed that the Board had not conducted an annual evaluation of its performance, contrary to the provisions of Section 1.12 of the Mwingozo Code of Governance for State Corporations. Further, there was no evidence that the Board had established performance criteria or conducted evaluations covering the Board as a whole, its Committees, individual members, the Chairperson and the Accounting Officer.

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

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

Review of Hospital records, interviews, and verification of services, equipment, and medical staff revealed significant discrepancies when compared to the requirements set out in the Kenya Quality Model for Health Policy Guidelines as per the below table:

Staff Requirements	Level 4 standard	Number in Hospital	Variance	Percentage %
Medical officers	16	1	15	94
Anesthesiologists	2	0	2	100
General surgeons	2	0	2	100
Gynecologists	2	1	1	50
Pediatrics	2	1	1	50
Radiologists	2	0	2	100
Kenya Registered Community Health nurses	75	36	39	52
Pediatricians	2	1	1	50

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

Service	Level 4 Hospital Standard	Actuals in the Hospital	Variance	Percentage %
Resuscitaire (2 in labor ward, 1 in theatre)	3	2	1	33
New born unit (5 Incubators)	5	2	3	60
New born cots (5)	5	2	3	60
Functional intensive care unit beds	6	0	6	100
High dependency unit beds	6	0	6	100
Renal dialysis	5	0	5	100
Two functional operating theatres (Maternity & General)	2	1	1	50

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

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

6. Non-Compliance with Mandatory Registration Requirements under the Data Protection Act

The Hospital, being a Public Health Institution that processes large volumes of sensitive personal data, including patient health records, falls within the threshold for mandatory registration as a data controller and a data processor as prescribed under Section 18 of the Data Protection Act, 2019. However, as at the time of the audit, the hospital had not registered with the Office of the Data Protection Commissioner, contrary to the legal requirement under Section 18(1) of the Act.

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

7. Lack of an Approved Staff Establishment

The Hospital did not have an approved staff establishment contrary to Paragraph B 5(2) of the County Public Service Human Resource Manual, 2013 which states that all vacancies shall be declared in a prescribed format which shall include the number of vacancies, when the vacancy occurred, whether the vacancy is within the authorized establishment and other relevant details. Further, Section B 6(3) states that in the recruitment process, due consideration will be given to appropriate organizational structure in each department, optimal staffing levels, schemes of service and career progression guidelines.

It was not possible to establish if the Hospital operated at optimum staffing levels. In addition, the Hospital was in breach of the County Public Service Human Resource Manual, 2013.

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

8. Non-Compliance with Remittance of Statutory Deductions

Examination of the Hospitals statutory deductions revealed that housing levy was not deducted and remitted to the Kenya Revenue Authority from any of the contracted casual employees. The employer and the employees were eligible for statutory deductions. The total amounts not remitted to the Kenya Revenue Authority amounted to Kshs.308,364.

In the circumstances, the Hospital was in breach of 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 the Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Lack of Insurance Coverage and Valuation for Medical Equipment

During the audit, it was noted that equipment currently in use within the facility are neither insured against loss or damage nor recorded with updated valuation in the asset and therefore, posing greater financial risks as they are exposed to financial liabilities.

In the circumstances, the absence of insurance cover and updated asset valuation points to ineffective internal controls and weak risk management practices over the safeguarding of the hospital's assets and ensuring service delivery.

2. Use of Manual Payroll

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

In the circumstances, the continued use of a manual payroll system without adequate control measures indicates ineffective internal controls and weak risk management practices over payroll processing and data integrity.

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

Responsibilities of the Management and Board of Management

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

24 November, 2025

Appendix: Unresolved Prior Year Matters

	Financial Year	Audit Issue	Amount Kshs.
1	2023/2024	Undisclosed Land	
2	2023/2024	Inaccuracy in the Statement of Cash Flows	911,998.
3	2023/2024	Inadequate Morgue Capacity	
4	2023/2024	Non-Compliance with Kenya Quality Model for Health Policy Guidelines	
5	2023/2024	Expired Pharmaceutical Supplies	
6	2023/2024	Lack of Strategic Plan	

Kanyakine Sub - County Hospital (Meru County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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

Description	Note	2024-2025	2023-2024
		kshs	Kshs
Revenue from non-exchange transactions			
In- kind contributions from the County Government	5	12,516,251.00	6,869,241.00
Public contributions and donations	6	-	138,750.00
Revenue from non-exchange transactions		12,516,251.00	7,007,991.00
Revenue from exchange transactions			
Rendering of services- Medical Service Income	7	48,978,268.00	31,858,682
Miscellaneous Income	8	0	11,631,119.00
Revenue from exchange transactions		48,978,268.00	43,489,801
Total revenue		61,494,519.00	50,497,792
Expenses			
Medical/Clinical costs	9	20,250,013.30	13,950,013.00
Employee costs	10	13,375,676.00	9,972,402.00
Board of Management Expenses	11	350,000.00	1,021,150.00
Depreciation and amortization expense	12	398,252	98,705.45
Repairs and maintenance	13	3,977,720.00	2,116,398.00
General expenses	14	8,406,299.00	13,204,729.55
Total expenses		46,757,961	40,363,398.00
Other gains/(losses)			
Medical services contracts Losses	15	(1,497,072.00)	-1,997,177.00
Total other gains/(losses)		(1,497,072.00)	-1,997,177.00
Net Surplus / (Deficit) for the year		13,239,486	8,137,217

(The notes set out on pages 7 to 21 form an integral part of the Annual Financial Statements.)
The Hospital's financial statements were approved by the Board on 26th August 2025 and signed on its behalf by:





.....
Chairperson

.....
Director of Accounts

.....
Medical Superintendent

Name

Name

Name

Kanyakine Sub - County Hospital (Meru County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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

Description	Note	2023-2024	
			Kshs
Assets			
Current Assets			
Cash and cash equivalents	16	7,851,934.15	4,741,990.70
Inventories	17	2,472,004.04	6,869,241.00
Receivables from exchange	20	13,937,220.96	
Total Current Assets		24,261,159.16	11,611,231.70
Non-current assets			
Property, plant, and equipment	18	1,635,076	447,728.55
Total Non-current Assets		1,635,076	447,728.55
Total assets (A)		25,896,236.05	12,058,960.25
Liabilities			
Current liabilities			
Trade and other payables	19	4,519,533.00	3,921,743
Total Current Liabilities		4,519,533.00	3,921,743
Total Liabilities (B)		4,519,533.00	3,921,743
Net assets (A-B)		21,376,703.05	8,137,217
Represented by:			
Accumulated surplus/Deficit		21,376,703.05	8,137,217
Net Assets		21,376,703.05	8,137,217

The Hospital's financial statements were approved by the Board on 26th August 2025 and signed on its behalf by:



.....
Chairman
 Board of Management



.....
Director of Accounts
 ICPAK No:



.....
Medical Superintendent

Kanyakine Sub - County Hospital (Meru County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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

Description	Accumulated surplus/Deficit	Total
At July 1, 2023	0.00	0.00
Revaluation gain	-	-
Surplus/(deficit) for the year	8,137,217.00	8,137,217.00
Capital/Development grants	-	-
At June 30, 2024	8,137,217.00	8,137,217.00
At July 1, 2024	8,137,217.00	8,137,217.00
Revaluation gain		
Surplus/(deficit) for the year	13,239,486.03	13,239,486.03
Capital/Development grants		
At June 30, 2025	21,376,703.03	21,376,703.03

Kanyakine Sub - County Hospital (Meru County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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			
Public contributions and donations		-	138,750.00
Rendering of services- Medical Service Income		35,340,673.00	24,447,056.25
Miscellaneous receipts(specify)		-	11,631,119.00
Total Receipts		35,340,673.00	36,216,925.25
Payments			
Medical/Clinical costs		11,393,875.00	13,033,293
Employee costs		13,375,676.00	9,972,402.00
Board of Management Expenses		350,000.00	1,021,150.00
Repairs and maintenance		3,159,800.00	2,116,398.00
General expenses		7,913,589.00	13,036,271
Total Payments		36,192,940.00	39,179,514.55
Net cash flows from operating activities	20	(852,267.00)	-2,962,589.30
Cash flows from investing activities			
Purchase of property, plant, equipment		(1,585,600.00)	-377,976
Net cash flows used in investing activities		(1,585,600.00)	-377,976
Cash flows from financing activities			
Proceeds from borrowings			-
Repayment of borrowings			-
Capital grants received			-
Net cash flows used in financing activities			-
Net increase/(decrease) in cash and cash equivalents		3,109,943.45	-3,340,565.30
Cash and cash equivalents as at 1 July	16	4,741,990.70	8,082,556.00

Kanyakine Sub - County Hospital (Meru County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Cash and cash equivalents as at 30 June	16	7,851,934.15	4,741,990.70
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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	
Revenue						
Public contributions and donations	0	-	0	0	-	100%
Rendering of services- Medical Service Income	48,978,268	-	48,978,268	48,978,268	-	100%
Total income	48,978,268.00	-	48,978,268.00	48,978,268	-	100%
Expenses						
Medical/Clinical costs	21,427,136	-	21,427,136	20,250,013.30	1,177,122.7	58%
Employee costs	13,375,676.00	-	13,375,676.00	13,375,676.00	-	100%
Remuneration of directors	350,000.00	-	350,000.00	350,000.00	-	100%
Repairs and maintenance	3,179,800.00	-	3,179,800.00	3,977,720	-797,920	100%
General expenses	8,406,299.00	-	8,406,299.00	8,406,299		90%
Acquisition of assets	2,239,357		2,239,357	1,585,600.00	653,757	76%
Total Expenses	48,978,268.00	-	48,978,268.00	47945308.3	-	100%
Surplus for the period				1,032,959.7	-	

19. Notes to the Financial Statements

1. General Information

Kanyakine Sub - County hospital is established by and derives its authority and accountability from Meru County Health Services Act. The entity is wholly owned by the Meru County Government and is domiciled in Meru County in Kenya. The entity's principal activity is to offer various medical services.

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 Kanyakine Sub - County hospital accounting policies. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Kanyakine Sub - County hospital. The financial statements have been prepared in accordance with the PFM Act, and Meru County Health Services Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

i. New and amended standards and interpretations in issue effective in the year ended 30th 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 30th 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>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>
IPSAS 45- Property Plant and Equipment	<p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard.</p>

Kanyakine Sub - County Hospital (Meru County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Standard	Effective date and impact:
	<p>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>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>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 of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
<p>IPSAS 48- Transfer Expenses</p>	<p><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</p>

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Standard	Effective date and impact:
	transfers on accounting for such transfers.
IPSAS 49- Retirement Benefit Plans	<i>Applicable 1st January 2026</i> 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.

iii) Early adoption of standards

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

4. Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from 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/services

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.

b. Budget information

The Kanyakine Sub - County hospital 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.

c. Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is

recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. The depreciation rates applied are as follows:

Buildings	2.5%
ICT equipment	25%
Plant and medical equipment	25%

d. 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.

e. 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 Kenya Commercial Bank at the end of the financial year.

f. Comparative figures

There are no comparative figures provided in these financial statements as this was the first year of preparation

g. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Kanyakine Sub - County Hospital 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.

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5. In Kind Contributions from The County Government

Description	2024-2025	2023-2024
	Kshs	KShs
Medical supplies-Drawings Rights (KEMSA)	6,262,058.00	3,680,583.00
Pharmaceuticals and Non-Pharmaceutical Supplies (other suppliers)	6,254,193.00	3,188,658.00
Total grants in kind	12,516,251.00	6,869,241.00

6. Public Contributions and Donations

Description	2024-2025	2023-2024
	Kshs	KShs
Other donations (KCB Bank)	0	15,000.00
Other donations (Dream Trust Project)	0	123,750.00
Total donations and sponsorships		138,750.00

(The hospital partnered with KCB Bank and Dream Trust Project to offer various medical services to the community)

7. Rendering of Services-Medical Service Income

Description	2024-2025	2023-2024
	Kshs	Kshs
Inpatient	11,002,397.00	8,192,589.00
Xray	5,363,920.00	1,905,600.00
Lab	8,114,763.00	3,616,150.00
Major Theatre	558,705.00	113,100.00
Opd	5,748,748.00	3,135,400.00
Pharmacy	4,858,224.00	4,390,303.00
Medical Exams P3	506,500.00	685,500.00
Dental	1,337,229.00	454,400.00
Physiotherapy	317,564.00	100,800.00
Occupational Therapy	80,341.00	27,400.00
Medical Records Cards &Files	1,437,285.00	509,700.00
Rental/Mpesa	254,977.00	27,570.00
Ambulance	216,785.00	97,000.00

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Mch	573,839.00	191,686.00
Minor Theater	942,272.00	313,700.00
Attachment For Students	209,000.00	161,000.00
Eye	1,012,227.00	128,000.00
Plaster	126,950.00	218,400.00
Special Clinic	619,555.00	100,400.00
Gynae	860,479.00	268,500.00
Mortuary	3,802,800.00	4,975,997.25
Orthopedic Tech	21,200.00	38,310.00
Psychiatry	594,723.00	72,500.00
Ent Clinic	411,285.00	135,000.00
Nutrition Services	6,500.00	2,500.00
Credit Income		1,997,177.00
Total Revenue from rendering of services	48,978,268.00	31,858,682

8. Miscellaneous Income

Description	2024-2025	2023-2024
	Kshs	KShs
Insurance recoveries (NHIF)	0	11,631,119.00
Total Miscellaneous Income	0	11,631,119.00

9. Medical/ Clinical Costs

Description	2024-2025	2023-2024
	Kshs	Kshs
Laboratory chemicals and reagents	702,245.00	1,491,885.00
Food and Ration	2,375,162.00	3,543,777.00
Uniform, clothing, and linen	4,055,103	268,000.00
Dressing and non-pharmaceuticals	3,366,975.00	3,166,614.00
Pharmaceutical supplies	3,041,575.00	2,259,954.00
Health information stationery/Printing	2,858,620.00	865,258.00
Sanitary and cleansing Materials	1,090,803.00	738,830.00
X-Ray/Radiology supplies	2,759,530.00	1,615,695.00
Total medical/ clinical costs	20,250,013	13,950,013.00

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10. Employee Costs

Description	2024-2025	2023-2024
	Kshs	Kshs
Salaries, wages, and allowances	13,375,676.00	9,972,402.00
Employee Costs	13,375,676.00	9,972,402.00

11. Board of Management Expenses

Description	2024-2025	2023-2024
	Kshs	Kshs
Sitting allowance	350,000.00	1,021,150.00
Total	350,000.00	1,021,150.00

12. Depreciation and Amortization Expense

Description	2024-2025	2023-2024
	Kshs	Kshs
Property, plant and equipment	398,252.66	98,705.45
Total depreciation and amortization	398,252.66	98,705.45

13. Repairs And Maintenance

Description	2024-2025	2023-2024
	Kshs	Kshs
Property- Buildings	2,667,720.00	1,532,648.00
Maintenance of equipments	310,000.00	
Computers and accessories	150,000.00	90,000.00
Motor vehicle expenses	850,000.00	493,750.00
Total repairs and Maintenance	3,977,720.00	2,116,398.00

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14. General Expenses

Description	2024-2025	2023-2024
	Kshs	Kshs
Catering expenses	990,000.00	701,835.00
Bank charges	10,000.00	7,963.55
Contracted services		936,000.00
Electricity expenses	1,530,000.00	1,308,115.00
Fuel and Lubricants	1,400,000.00	1,327,239.00
Travel and accommodation allowance	1,100,912.00	3,292,557.00
Training expenses	373,677.00	
Courier and postal services		18,900.00
General Office Supplies	731,710.00	676,235.00
Water and sewerage costs	1,250,000.00	1,183,450.00
Telephone and mobile phone services	460,000.00	612,009.00
Internet expenses	100,000.00	91,710.00
Other Fuels	450,000.00	285,000.00
Other Operating expenses	10,000.00	2,763,716.00
Total General Expenses	8,406,299.00	13,204,729.55

15. Medical Services Contracts Losses

Description	2024-2025	2022-2024
Waivers and Exemptions	(1,497,072.00)	-1,997,177.00
Total Gain/Loss	(1,497,072.00)	-1,997,177.00

16. Cash And Cash Equivalentents

Description	FY 2024-2025	FY 2023-24
	KShs	KShs
Current accounts	7,851,934.15	4,741,990.70
Total cash and cash equivalentents	7,851,934.15	4,741,990.70

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

Description		FY 2024-25	FY 2023 - 24
Financial institution	Account number	KShs	KShs
a)Current account			
Kenya Commercial bank (Maternity Revenue)	1103323121	1,969,225.45	2,661,794.75
Kenya Commercial bank (Maternity Expenditure)	1157718728	217.70	986.7
Kenya Commercial bank (FIF Revenue)	1314404148	5,020,195.00	2,763,396.00
Kenya Commercial bank (FIF Expenditure)	1314765671	862,296.00	-684,186.75
Grand total		7,851,934.15	4,741,990.70

17. Inventories

Description	2024-2025	2023-2024
	Kshs	KShs
Pharmaceutical supplies	362,496.05	2,710,601.00
Dressing and non-pharmaceuticals	903,228	3,401,778.00
Food supplies	619,855.00	501,702.00
Health information stationery/Printing	100,690.00	118,210.00
Cleaning materials supplies		85,700.00
Laboratory Materials	467,865	
Xray Materials	17,870.00	
General supplies		51,250.00
Total	2,472,004.05	6,869,241.00

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18. Property, Plant and Equipment

Description	Buildings	ICT Equipment	Plant and medical equipment	Total
	Ksh	Ksh	Ksh	Ksh
Cost				
At 1 July 2023	-	-	-	-
Additions	168,458.00	140,000.00	237,976.00	546,434.00
At 30th Jun 2024	168,458.00	140,000.00	237,976.00	546,434.00
Depreciation and impairment				-
At July 2023	-	-	-	-
Depreciation	4,211.45	35,000.00	59,494.00	98,705.45
At 30th June 2024	4,211.45	35,000.00	59,494.00	98,705.45
Net book values				-
At 30th June 2024	164,246.55	105,000.00	178,482.00	447,728.55
At 1 July 2024				
Additions	325,000	673030	587,570	1,585,600
At 30th Jun 2025				
Depreciation and impairment				

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At June 2025				
Depreciation	12,231.16	194,507.50	191,513.00	398,251.66
At 30th June 2025	477,015.39	583,522.50	574,539.00	1,635,076.89
Net book values				
At 30th June 2025	477,015.39	583,522.50	574,539.00	1,635,076.89

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19. Trade and other Payables

Description	2024-2025	2023-2024	
	Kshs	KShs	
Trade payables	4,519,533.00	3,921,743	
Total trade and other payables	4,519,533.00		
Ageing analysis:	Current FY	% of the Total	% of the Total
Under one year	3,599,655.00	79.65%	100%
1-2 years	919,878.00	20.35%	
Total	4,519,533.00	100%	100%

20. Account Receivable

Description	2024-2025	2023-2024	
	Kshs	KShs	
Receivable	13,937,220.96		
Total receivable	13,937,220.96		
Ageing analysis:	Current FY	% of the Total	% of the Total
Under one year	13,937,220.96	100%	100%
1-2 years	0		
Total	13,937,220.96	100%	100%

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 Sub-County hospital under the Department of Health. Its ultimate parent is the County Government of Meru.

23. Currency

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

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Appendices

Appendix 1: Progress on Follow Up of Auditor Recommendations

Reference No. On the external audit Report	Issue/Observation from Auditor	Management comments	Status : resolved /Not resolved	Time frame: (Put date when you expect the issue to be resolved)
1	Undisclosed land	The IGTRC has not finalized the process of handing over	Not Resolve	June 2027
	Inaccuracy in the statement of cash flow	The Hospital has since ensured accuracy of its financial statements	Resolved	June 2025
Other Matter				
	Inadequate morgue facility	The morgue operates below optimal capacity in most part of the year	Resolved	January 2025
REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCE				
	Non compliance with Kenya Quality Model for Health Policy Guidelines	The county is in the process of ensuring compliance	Not resolved	June 2026
REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANGMENT AND GOVERNANCE				
	Expired drugs	The management has disposed all the expired drugs	Resolved	March 2025
	Lack of strategic plan	The management has an approved strategic plan in place	Resolved	February 2025



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Accounting Officer