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ON

ZOMBE SUB COUNTY HOSPITAL

FOR THE YEAR ENDED 30 JUNE, 2024

COUNTY GOVERNMENT OF KITUI

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ZOMBE SUB COUNTY HOSPITAL
(Kitui County Government)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2024

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

Table of Contents

1. Acronyms & Glossary of Terms ii
2. Key Entity Information and Management iii
3. The Board of Management v
4. Key Management Team vi
5. Chairman's Statement viii
6. Report of The Medical Superintendent ix
7. Statement of Performance Against Predetermined Objectives xi
8. Corporate Governance Statement xii
9. Management Discussion and Analysis xiii
10. Environmental And Sustainability Reporting xiv
11. Report of The Board of Management xv
12. Statement of Board of Management's Responsibilities xvi
13. Report of the Independent Auditor (Zombe sub county hospital) xvii
14. Statement of Financial Performance for The Year Ended 30 June 2024 1
15. Statement of Financial Position As At 30th June 2024 3
16. Statement of Changes in Net Asset for The Year Ended 30 June 2024 5
17. Statement of Cash Flows for The Year Ended 30 June 2024 6
18. Statement of Comparison of Budget and Actual Amounts for Year Ended 30 Jun 2024 8
19. Notes to the Financial Statements 10
20. Appendices 55

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.

2. Key Entity Information and Management

(a) Background information

Zombe Sub County Hospital is a level (4) hospital established under gazette notice number 5826 and is domiciled in Kitui County under the Health Department.

(b) Principal Activities

The principal activity of the Zombe Sub County Hospital is to offer health care services to the community of Kitui east sub county, Kitui county and Kenya at large.

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

Mission: To promote and participate in the provision of integrated and efficacious promotive , preventive, curative, and rehabilitative health care services to all Kenyans.

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

(c) Key Management

The management is under the following key organs:

- County department of health
- Accounting Officer/ Medical Superintendent
- Management

(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 Finance	Peter Kilonzo
2.	CECM Health and sanitation.	Ruth Koki
3.	Chief Officer Finance	CPA. John Makau
4.	Chief Officer Medical Services	Dr Benson Musyoka
5.	Medical Superintendent	Dr . Gideon Ngumi

(e) Fiduciary Oversight Arrangements

- Kitui county assembly Public Investment and Accounts Committee.
- Kitui County Assembly County Budget and Appropriation Committee.
- Kitui County Assembly Finance and Economic Planning Committee
- Kitui County Budget and Economic Forum.
- Parliamentary committees
- Other oversight committees

Key Entity Information and Management (continued)

(f) Entity Headquarters

Zombe Sub County Hospital
P.O. Box 72-90213
Zombe Town
Kitui, Kenya
Physical address:1 km from Zombe town, next to St Bhakita primary school on the road to Ngelani village

(g) Entity Contacts

Telephone: (+254)114 363 474
E-mail:
Website:

(h) Entity Bankers

Kenya Commercial Bank
Kitui Branch
P. O. Box 683- 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

During this Financial Year there was no board members.

4. Key Management Team

Ref	Management	Details
1.	Dr Gideon Ngumi	Medical Superintendent Bachelor of Medicine and Surgery
2.	Winnie Mue	Head of Finance CPA(K)
3.	Fauzia Musembi	Health administrative officer Bachelor of Business Management
4.	Catherine Ndunge	Head of Nursing Department Diploma in Community Health Nursing Diploma Clinical Management of Gender Based Violence.
5.	Gladys Wambua	Head of supply chain Department Bachelor of Business Administration and management (purchasing & supply chain management) Certified Member of K.I.S.M.
6.	Oliver Ivuti	Head of Laboratory Department BSC. Medical Laboratory Sciences Registered with KMLTTB
7.	Chris Mwangangi	Head of Pharmacy Department Diploma in Pharmacy Registered with PPB.
8.		Head of Nutrition Department Diploma in Nutrition and Dietetics

	Grace Muthui	
9.	Jeddy Mwende	Head of Clerical Department Certificate in Human Resource Management. Proficiency certificate for Clerical Officers.
10.	Damaris Munyao	Head of Ortho trauma Department Diploma in Orthopedics and Trauma
11.	Immaculate Muteti	Head of Records Department Diploma in Health Records & Information Management Officer.
12.	Stephen Wambua	Head of Clinical Department Diploma in Clinical Medicine and Surgery.

5. Chairman's Statement

There was no board.

.....

Name

Chairman to the Board

6. Report of The Medical Superintendent

Zombe sub county hospital is a facility that was established by the National government of Kenya under the gazette notice number 5826 on 17th May 2019.

The hospital is located in Zombe/ Mwitika ward in Kitui East Sub-County. The Hospital has a catchment population of 5442 in 2021. The population is mostly made up of people of the Akamba ethnicity. The hospital serves people from Malatani, Makongo, Mang'ola, Ithangathi and Kathande villages.The facility also acts as a Referral link facility for 21 out of 30 facilities in Kitui East located within Zombe/ Mwitika, Endau/Malalani and Voo/ Kyamatu Wards. The facility refers its patients out to Kitui County Referral Hospital.

The vast majority of the economy within the region is driven subsistence farming and livestock rearing, despite the fact that these activities are extremely challenging endeavours given the sporadic rainfall received in the region.

Christianity is the dominant religion in the region. Roman Catholics make up about 15% of the Sub-county's population. Other Christian denominations include the African Inland Church (AIC), Anglican Church of Kenya (ACK), Presbyterian Church of East Africa (PCEA), Independent Presbyterian Church (IPC), Redeemed Gospel Church and many others.

In the financial year 2023/2024 the hospital generated Ksh 4,018,429 in revenue. The funds were generated as the patients paid for the services that they received in the facility.

The facility received an equivalent of Ksh 5,112,560 from the Kitui County government on Monthly disbursement basis/ Facility improvement funds (FIF)

These funds are used to run the day-to-day activities of the facility and also to pay wages for the contracted workers.

The comprehensive guide on how the funds were utilised is outlined in a later part of this report.

In the Financial Year 2023/2024 the facility management was able to operationalize a 15-bed capacity Inpatient Unit to cater for the general medical patients and construct a temporary kitchen.

The facility hosts 3 infrastructural blocks within the grounds namely:

- Maternity and Theatre Block: Status- Incomplete-Operational
- Outpatient Block: Status- Incomplete/ Renovations ongoing
- Radiology Block: Status-Complete-Operational

The facility has undergone a renovation of the Outpatient Block including Paint works, Overhaul of the drainage and water system, Electricity repairs, Toilet and bathroom repairs.

The management also managed to plant some drought resistant Neem trees along the fence of the facility and thus contributed in environmental sustainability efforts within the county.

The future outlook for the facility includes liaising closely with the Kitui County government and the stakeholders to propel the facility forward so that it can function at a level 4 capacity and thus be able to serve the people of Kitui east and Kitui at large more efficiently. The Medical superintendent and the local administration of the hospital shall work closely with the facility board of management, the Ministry of Health and Sanitation leadership and the County government leadership and all the stakeholders to achieve this objective.

.....

Name Dr. Gideon Ngumi

Secretary to the Board

7. Statement of Performance Against Predetermined Objectives

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

Zombe Level IV Hospital has 2 strategic pillars and objectives within the current Strategic Plan for the FY 2023- 2024 These strategic pillars:

Pillar 1: Provide Reliable and accessible Medical services to all citizen.

Pillar 2: To provide services to all patients Satisfactory.

Zombe level IV Hospital develops its annual work plans based on the above 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 2023/2024 period for its 2 strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Provide Reliable and accessible Medical services to all citizen	To improve access to healthcare services for the community.	Reduce the waiting time for medical consultation by 15%.	Regular monitoring and evaluation of consultation time.	Waiting time for medical consultation was reduced by 20%, surpassing the goal.
To provide services to all patients Satisfactory.	To enhance the quality of healthcare services and patient satisfaction	Achieve a patient satisfaction score of 90%.	Regular monitoring and evaluation of medical processes	Patient satisfaction score reached 92%, exceeding the target

8. Corporate Governance Statement

Zombe Sub County Hospital did not have a functional management committee for the year ending 30th June 2024.
The functions of the board of management include:

a. Supervise and control the administration of funds allocated to the hospital;
b. Through minutes, request the CECM to open and operate a bank account;
c. Make sure the basic books of accounts for the Hospital are kept;
d. Making sure records of accounts for income and expenditure and assets and liabilities are kept;
e. Provide oversight to the hospital; among others

A member shall be added or removed according to the existing regulations on establishment of board s of management.
Remuneration of the board members is as advised by SRC.

Generally, the hospital operates as per the set Terms of Reference concerning the number of Board meetings held and the attendance to those meetings by members, succession plan, existence of a Board charter, process of appointment and removal of Board members, roles and functions of the Board, induction, and training, Board and member performance, conflict of interest, board remuneration, ethics, and conduct as well as governance audit.

9. Management Discussion and Analysis

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

Clinical/operational performance
Zombe Sub County Hospital has a Maternity of 6-bed capacity while the inpatient rooms are 4 bed capacity
The facility also has a 5-bed accident and emergency room used for casualty patients.
In the year ended June 2024, the target population for the year was 6,000. A total of over 15,000 patients were seen at the outpatient and over 500 inpatients.
Of note is that the facility isolated two rooms to use to host admitted patients as the facility lacks a general ward.

Financial performance that includes
In the financial year ended June 2024, the facility collected a total of Ksh 3,381,344.00
The revenue was collected as service fees for the health care services administered to the patients
The facility now has NHIF accreditation but most of the fees collected was in cash form 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 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.

10. Environmental And Sustainability Reporting

Zombe Hospital exists to transform lives. It's what guides us to deliver our strategy, putting the client/Citizen first, delivering health services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

i) Sustainability strategy and profile

At Zombe Hospital, our primary mission is to transform lives by placing our clients and citizens at the forefront of our strategy. We are committed to delivering health services while striving for operational excellence. Our sustainability efforts are aligned with this mission. Here is an overview of our sustainability strategy and profile.

ii) Environmental performance

our waste management initiatives have resulted in a significant decrease in landfill waste.

iii) Employee welfare

Our commitment to employee welfare is demonstrated through the following policies and practices.
Hiring Process Kitui County Government hiring process is designed to be inclusive and considers gender ratios, diversity, and stakeholder engagement in decision-making.
Skills Development: We invest in continuous skills development for our employees through training programs and opportunities for career advancement. Appraisal and Rewards: Kitui County Government maintains appraisal and reward systems which are designed to recognize and incentivize employees for their contributions to sustainability and overall performance.
Occupational Safety and Health Act: We are fully compliant with the Occupational Safety and Health Act ensuring a safe and healthy working environment for our employees

iv) Market place practices-

a) Responsible competition practice.

We uphold responsible competition practices by adhering to anti-corruption policies, engaging in ethical political involvement, promoting fair competition, and respecting our competitors.

b) Responsible Supply chain and supplier relations

we maintain ethical business practices and honor our contracts with suppliers. We ensure fair payment practices and foster positive supplier relationships

c) Responsible marketing and advertisement

Our marketing practices are guided by ethical standards, and transparency,

d) Product stewardship

We are committed to safeguarding consumer rights and interests by providing safe and high-quality services.

v) Corporate Social Responsibility / Community Engagements

We actively engage with our communities and practice corporate social responsibility through healthcare initiatives. Healthcare access, and overall community well-being.

Report of The Board of Management

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

Principal activities

The principal activities of the Zombe sub county hospital is to provide quality healthcare.

Results

The results of the entity for the year ended June 30 2024 are set out on pages 1 to9

Board of Management

There was no board during the year.

Auditors

The Auditor General is responsible for the statutory audit of the Zombe 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. Gideon Ngumi

Secretary to the Board

11. Statement of Board of Management's Responsibilities

The hospital did not have a functional board.

Approval of the financial statements

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

.....	.....
Name:	**Name:** Dr. Gideon Ngumi
Chairperson	**Accounting Officer**
Board of Management	

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: info@oagkenya.go.ke
Website:www.oagkenya.go.ke

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON ZOMBE SUB-COUNTY HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2024 - COUNTY GOVERNMENT OF KITUI

PREAMBLE

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

A. Report on 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 Zombe Sub County Hospital - County Government of Kitui set out on pages 1 to 60, which comprise of the statement of financial position as at 30 June, 2024 and the statement of financial

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

Basis for Qualified Opinion

1. Unconfirmed Inventories Balance

The statement of financial position reflects inventories balance of Kshs.699,280 which relates to pharmaceutical supplies as disclosed in Note 30 to the financial statements. However, there was no evidence of stock take having been conducted to confirm the quantities, value and status of closing inventory balance as at 30 June 2024.

In the circumstances, the accuracy, completeness and valuation of the inventories of Kshs.699,280 could not be confirmed.

2. Non-Disclosure of Property, Plant and Equipment

The statement of financial position reflects Nil balance on property, plant and equipment as disclosed in Note 31 to the financial statements. However, review of Hospital records and physical verification revealed that the Hospital has three (3) acres of freehold land, buildings, one (1) motor vehicle, computers and other movable and non-movable assets of undetermined value which were not valued or disclosed in the financial statements. Further, the land on which the Hospital is built and the developments therein did not have ownership documents.

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

3. Inaccuracies in Cash and Cash Equivalents Balance

The statement of financial position and as disclosed in Note 27 to the financial statements reflect cash and cash equivalents balance of Kshs.59,406. Review of the records revealed that the Hospital had 2 bank accounts, however, the cashbooks and bank reconciliation statements were not provided for audit review. Further, the cashflow statement reflects Nil Net increase/decrease in cash and cash equivalent while the recomputed balance indicates Kshs.441,048 resulting in unexplained and unreconciled balance of Kshs.441,048

In the circumstance, the accuracy of cash and cash equivalents balance of Kshs.59,406 could not be confirmed.

4. Unconfirmed Capital Fund Balance

The statement of financial position and the statement of changes in net assets reflect capital fund relating to capital/development grants of Kshs.1,435,639 whose support documents were not provided for audit review.

In the circumstances the statement of changes in net assets and the statement of financial position could be misstated.

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

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.10,000,000 and Kshs.8,493,904 respectively resulting to an under collection of Kshs.1,506,096 or approximately 15% of the budget.

The under-collection may affect implementation of planned activities and programs and may negatively impacted on service delivery to the public.

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 matters 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 Matter

Unresolved Prior Year Audit Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, the Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. The issues have not been resolved contrary to Section 149(2)(l) of the Public Finance Management Act, 2012 which requires the Accounting Officers designated to try to resolve any issues resulting from an audit that remain outstanding.

Other Information

The Management is responsible for the other information set out on pages iii to xvi 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 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 (UHC)

Review of hospital records and interviews on verification of services offered, equipment used and medical specialists as at the time of audit revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits by ninety-one (91) or approximately 90% of the of the authorized establishment.

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	0	2	100
Pediatricians	2	0	2	100

Staff Requirements	Level 4 Standard	Number in Hospital	Variance	Percentage %
Radiologists	2	0	2	100
Registered Community Health Nurses	75	9	66	88
Total	**101**	**10**	**91**	**90**

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 %
Bed Capacity	150	10	140	93
Incubators (Newborn)	5	1	4	80
Resuscitative in Labour Ward	2	1	1	50
Functional ICU Beds	6	0	6	100
HDU Beds	6	0	6	100
Renal Unit with Dialysis Machines	5	0	5	100
Functional Operating Theaters Maternity and General	2	0	2	100

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 may not be able to deliver on its mandate.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standard requires 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 are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effect of the matters described in the Basis for

Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Lack of Internal Audit Function and an Audit Committee of the Board

The Hospital Management has not established an internal audit function and an Audit Committee of the Board. This is contrary to Regulation 167 of the Public Finance Management (County Governments) Regulations, 2015 which provides for the establishment of an Internal Audit Function and Audit Committee of the Board. As such the Hospital did not benefit from the assurance and advisory services from the internal audit function as well as oversight from the Audit Committee.

In the circumstances the effectiveness of the internal controls could not be confirmed.

2. Expiry of Medical Supplies

The statement of financial position reflects an inventory balance of Kshs.699,280 as disclosed in Note 30 to the financial statements. Review of the the County Disposal Committee Report dated 4th October 2024 revealed that the Hospital had expired drugs valued at Kshs 687,491 out of which drugs worth Kshs.55,215 expired during the year under review. The authority to dispose of the drugs from the Pharmacy and Poisons Board had not been obtained.

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

3. Lack of Hospital Management Board

During the financial year under review, the Hospital Board had not been established. Management indicated and provided a copy of the Kitui Health Facilities Improvement Financing Bill, 2024 which is awaiting approval by the County Assembly to provide for the formation of the Hospital Management Board. As a result, the annual report and the financial statements for the year ended 30 June, 2024 have not been signed by the Chairman of the Hospital Board in accordance to the reporting framework prescribed for by the Public Sector Accounting Standards Board (PSASB).

In the circumstances, the Hospital may not achieve its strategic objectives.

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 those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards

(Accrual Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for 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

10 January, 2025

13. Statement of Financial Performance for The Year Ended 30 June 2024

Description	Note	2023-2024	2022-2023
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	6	6,000,000	5,978,629
In- kind contributions from the County Government	7	35,400,390	0
Grants from donors and development partners	8	534,223	0
Transfers from other Government entities(NHIF	9	58,895	0
Public contributions and donations	10	0	0
		41,993,508	**5,978,629**
Revenue from exchange transactions			
Rendering of services- Medical Service Income	11	3,381,344	3,103,749
Revenue from rent of facilities	12	0	0
Finance /Interest Income	13	0	0
Miscellaneous Income	14	0	0
Revenue from exchange transactions		**0**	**0**
Total revenue		**45,374,852**	**9,082,378**
Expenses			
Medical/Clinical costs	15	2,741,485	1,525,730
Employee costs	16	34,927,407	1,301,377
Board of Management Expenses	17	0	83,000
Repairs and maintenance	19	599,320	618,770
General expenses	21	2,360,379	1,110,278
Refunds paid out	11	3,381,344	3,103,749
Total expenses		**44,009,935**	**7,742,904**
Other gains/(losses)			
Gain/Loss on disposal of non-Current assets	23	0	0
Unrealized gain on fair value of investments	24	0	0
Medical services contracts Gains/Losses	25	0	0

Description	Note	2023-2024	2022-2023
		Kshs	Kshs
Impairment loss	26	(0)	0
Gain on foreign exchange transactions		0	0
Total other gains/(losses)		**0**	**0**
Net Surplus / (Deficit) for the year		**1,364,917**	**1,339,474**

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

.....	.....	.....
Chairman	**Head of Finance**	**Medical Superintendent**
Board of Management	**ICPAK No:** 25941	Dr. Gideon Nguni

14. Statement of Financial Position As At 30th June 2024

Description	Note	2023-2024	2022-2023
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	27	59,406	52,253
Receivables from exchange transactions	28	3,381,344	3,103,749
Receivables from non-exchange transactions	29	887,440	500,000
Inventories	30	699,280	0
Total Current Assets		**5,027,470**	**3,656,002**
Non-current assets			
Property, plant, and equipment	31	0	0
Intangible assets	32	0	0
Investment property	33	0	0
Total Non-current Assets		**0**	**0**
Total assets (A)		**0**	**0**
Liabilities			
Current liabilities			
Trade and other payables	34	887,440	500,000
Refundable deposits from customers/Patients	35	0	0
Provisions	36	0	0
Finance lease obligation	37	0	0
Current portion of deferred income	38	0	0
Current portion of borrowings	39	0	0
Social Benefits	41	0	0
Total Current Liabilities		**887,440**	**500,000**
Non-current liabilities			
Provisions	36	0	0
Non-Current Finance lease obligation	37	0	0
Non-Current portion of deferred income	38	0	0
Non - Current portion of borrowings	39	0	0
Service concession Arrangements	40	0	0

Description	Note	2023-2024	2022-2023
		Kshs	Kshs
Social Benefits	41	0	0
Total non-current liabilities		**0**	**0**
Total Liabilities (B)		**887,440**	**500,000**
Net assets (A-B)		**4,140,030**	**3,156,002**
Represented by:			
Revaluation reserve		0	0
Accumulated surplus/Deficit		2,704,391	1,339,474
Capital Fund		1,435,639	1,816,528
Net Assets		**4,140,030**	**3,156,002**

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

.....	.....	.....
Chairman	**Head of Finance**	**Medical Superintendent**
Board of Management	**ICPAK No:** 25941	Dr. Gideon Nguni

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

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2022	**0**	**0**	**0**	**0**
Revaluation gain	0	-	-	0
Surplus/*(deficit)* for the year	-	1,339,474	-	1,339,474
Capital/Development grants	-	-	0	0
As at June 30, 2023	**0**	**1,339,474**	**0**	**1,339,474**
At July 1, 2023	**0**	**0**	**0**	**0**
Revaluation gain	0	-	-	0
Surplus/(deficit) for the year	-	1,364,917	-	1,364,917
Capital/Development grants	-	-	1,435,639	1,435,639
At June 30, 2024	**0**	**2,704,391**	**1,435,639**	**4,140,030**

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

Description	Note	2023-2024	2022-2023
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government	6	6,000,000	5,978,629
Grants from donors and development partners	8	534,223	0
Transfers from other Government entities	9	58,895	0
Public contributions and donations		0	0
Rendering of services- Medical Service Income	11	3,381,344	3,103,749
Revenue from rent of facilities		0	0
Finance / interest income		0	0
Miscellaneous receipts(*specify)*		0	0
Total Receipts		**9,974,462**	**9,082,378**
Payments			
Medical/Clinical costs	15	2,741,485	1,525,730
Employee costs	16	1,332,982	1,301,377
Board of Management Expenses		0	83,000
Repairs and maintenance	19	599,320	618,770
Grants and subsidies		0	0
General expenses	21	2,360,379	1,110,278
Finance costs		0	0
Refunds paid out	11	3,381,344	3,103749
Total Payments		**0**	**0**
Net cash flows from operating activities	42	**10,415,510**	**9,082,378**
Cash flows from investing activities			
Purchase of property, plant, equipment		(0)	(0)
Purchase of intangible assets		(0)	(0)
Proceeds from the sale of PPE		0	0
Acquisition of investments		(0)	(0)
Net cash flows used in investing activities		**(0)**	**(0)**
Cash flows from financing activities			
Proceeds from borrowings		0	0
Repayment of borrowings		(0)	(0)
Capital grants received		0	0

Net cash flows used in financing activities		**(0)**	**(0)**
Net increase/(decrease) in cash and cash equivalents		**0**	**(0)**
Cash and cash equivalents as at 1 July	27	52,253	8,827
Cash and cash equivalents as at 30 June	27	**59,406**	**52,253**

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Transfers from the County Government	6,000,000	0	6,000,000	5,112,560	887,440	85%
Grants from donors and development partners	0	0	0	0	0	%
Transfers from other Government entities	0	0	0	0	0	%
Public contributions and donations	0	0	0	0	0	%
Rendering of services- Medical Service Income	4,000,000	0	4,000,000	3,381,344	618,656	85%
Revenue from rent of facilities	0	0	0	0	0	%
Finance / interest income	0	0	0	0	0	%
Miscellaneous receipts (*specify)*	0	0	0	0	0	%
Total income	**10,000,000**	0	**10,000,000**	**8,493,904**	**1,506,096**	85%
Expenses						
Medical/Clinical costs	1,096,500	0	1,096,500	935,520	160,980	85%
Employee costs	1,333,560	0	1,333,560	1,332,982	578	99%
Remuneration of directors	0	0	0	0	0	%
Repairs and maintenance	756,000	0	756,000	599,320	156,680	79%
Grants and subsidies	0	0	0	0	0	%
General expenses	2,813,940	0	2,813,940	2,360,379	453,561	84%
Finance costs	0	0	0	0	0	%
Refunds	0	0	0	0	0	%
Surplus for the period	**0**	**0**	**0**	**0**	**0**	%
Capital expenditure	**6,000,000**	**0**	**6,000000**	**5,228,201**	**771,799**	87%

The notes set out on pages 26 to 51 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 30/9/2024 and signed on its behalf by:

.....	.....	.....
Chairman	**Head of Finance**	**Medical Superintendent**
Board of Management	**ICPAK No:** 28949	Dr. Gideon Ngumi

18. Notes to the Financial Statements

1. General Information

Zombe Sub County entity is established by and derives its authority and accountability from the county Government Act. The entity is wholly owned by the Kitui County Government and is domiciled in kitui County in Kenya. The entity's principal activity is provision of Health 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 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. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of Zombe Hospital. The financial statements have been prepared in accordance with the PFM 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 30 June 2024

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

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

Standard	Effective date and impact:
IPSAS 43	***Applicable 1st January 2025*** 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. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	***Applicable 1st January 2025*** The Standard requires, 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: 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.
IPSAS 45- Property Plant and Equipment	***Applicable 1st January 2025*** 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

Standard	Effective date and impact:
	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.
IPSAS 46 Measurement	***Applicable 1st January 2025*** The objective of this standard was to improve measurement guidance across IPSAS by: 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. The standard also introduces a public sector specific measurement bases called the current operational value.
IPSAS 47- Revenue	***Applicable 1st January 2026*** 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.

Standard	Effective date and impact:
IPSAS 48-Transfer Expenses	***Applicable 1st January 2026*** 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.
IPSAS 49-Retirement Benefit Plans	***Applicable 1st January 2026*** 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 hospital adopted new and amended standards in the financial year 2023/2024.

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

Board did not approve the original budget for FY 2023-2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the hospital recorded additional appropriations of on the FY 2023-2024 budget following the Board's approval. The Hospital's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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 ***0*** 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. 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.

i. Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

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.

Notes to the Financial Statements (Continued)

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.

Notes to the Financial Statements (Continued)

Fair value through net assets/ equity

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

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the 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 xx.*

Financial liabilities

Classification

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

Notes to the Financial Statements (Continued)

j. Inventories

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

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

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

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

k. 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)

l. Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The 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.

m. 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.

n. 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.

o. Nature and purpose of reserves

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

p. 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)

q. 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.

r. Foreign currency transactions

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

s. Borrowing costs

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

t. Related parties

The 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.

Notes to the Financial Statements (Continued)

u. 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.

v. Cash and cash equivalents

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

w. Comparative figures

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

x. Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the 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 0. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Notes to Financial Statements Continued

6. Transfers from the County Government

Description	**2023-2024**	**2022-2023**
	KShs	**KShs**
Unconditional grants		
Operational grant	6,000,000	5,978,629
Level 4/5 grants	0	0
Unconditional development grants	0	0
Other grants *(specify)*	0	0
	6,000,000	5,978,629
Conditional grants		
User fee forgone	0	0
Transforming health services for Universal care project (THUCP)	0	0
DANIDA	0	0
Wards Development grant	0	0
Paediatric block grant	0	0
Administration block grant	0	0
Laboratory grant	0	0
Total government grants and subsidies	**6,000,000**	5,978,629

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**	**2022-2023**
			KShs	**KShs**	**KShs**
Kitui County Government	6,000,000	0	0	6,000,000	5,978,629
Total	**6,000,000**	**0**	**0**	**6,000,000**	**5,978,629**

Notes to Financial Statements Continued

7. In Kind Contributions from The County Government

Description	2023-2024	2022-2023
	KShs	KShs
Salaries and wages	33,594,425	0
Medical supplies-Drawings Rights (KEMSA)	1,637,709	0
Pharmaceuticals and Non-Pharmaceutical Supplies (other suppliers)	110,660	0
Utility bills	0	0
Total grants in kind	**35,400,390**	**0**

8. Grants From Donors and Development Partners

Description	2023-2024	2022-2023
	KShs	KShs
Cancer Centre grant- DANIDA	0	0
World Bank grants	0	0
Paediatric ward grant- JICA	0	0
Research grants	0	0
Other grants (Kemsa)	534,223	0
Total grants from development partners	**534,223**	**0**

8 (a) Grants from donors and development partners (Classification)

Name of the Entity sending the grant	Amount recognized to Statement of financial performance	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	Comparative Period
	KShs	KShs	KShs	KShs	KShs
Donor e.g., DANIDA	0	0	0	0	0
JICA	0	0	0	0	0
World Bank	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**

Notes to Financial Statements Continued

9. Transfers From Other Government Entities

Description	2023/2024	2022/2023
	KShs	KShs
Transfer from National Government (Ministry of Health)	0	0
Transfer from NHIF	58895	0
Transfer from 0 Institute	0	0
Total Transfers	**58895**	**0**

10. Public Contributions and Donations

Description	2023/2024	20222/2023
	KShs	KShs
Public donations	0	0
Donations from local leadership	0	0
Donations from religious institutions	0	0
Donations from other international organisations and individuals	0	0
Other donations	0	0
Donations in kind-amortised	0	0
Total donations and sponsorships	**0**	**0**

10 (a)Reconciliations of amortised grants

Description	2023/2024	2022/2023
	Kshs	Kshs
Balance unspent at beginning of year	**0**	**0**
Current year receipts	0	0
Amortised and transferred to revenue	0	0
Conditions to be met – remain liabilities	**0**	**0**

Notes to Financial Statements Continued

11. Rendering of Services-Medical Service Income

Description	2023-2024	2022-2023
	Kshs	Kshs
Pharmaceuticals	978,864	1,160,920
Non-Pharmaceuticals	0	63,590
Laboratory	239,270	363,650
Radiology		508,191
Orthopedic and Trauma Technology	8,450	50,550
General IPD	23,240	0
General OPD	29,440	0
Ultra Sound	254,000	0
X Ray	20,530	0
Consultation	193,380	0
Medical Records	134,620	0
Dental services	0	0
Reproductive health	0	0
Paediatrics services (Waiver)	9,090	0
P3 Examination Forms	39,240	0
Ambulance services	0	0
Other medical services income *(NHIF)*	1,451,220	956,848
Total revenue from the rendering of services	**3,381,344**	**3,103,749**

Notes to the Financial Statements (Continued)

12. Revenue From Rent of Facilities

Description	2023/2024	2022/2023
	Kshs	Kshs
Residential property	0	0
Commercial property	0	0
Total Revenue from rent of facilities	**0**	**0**

(*Provide brief explanation for this revenue)*

13. Finance /Interest Income

Description	2023/2024	2022/2023
	Kshs	Kshs
Interest income from Cash investments and fixed deposits	0	0
Interest income from short- term/ current deposits	0	0
Interest income from Treasury Bills	0	0
Interest income from Treasury Bonds	0	0
Interest from outstanding debtors	0	0
Total finance income	**0**	**0**

(Provide brief explanation for this revenue)

14. Miscellaneous Income

Description	2023-2024	2022-2023
	KShs	KShs
Insurance recoveries	0	0
Income from sale of tender	0	0
Services concession income	0	0
Sale of goods (water, publications, containers etc)	0	0
Write backs (Deposits, payments in advance etc)	0	0
Bad debts recovered	0	0
Others (Specify)	0	0
Total Miscellaneous income	**0**	**0**

Notes to the Financial Statements (Continued)

15. Medical/ Clinical Costs

Description	2023-2024	2022-2023
	Kshs	Kshs
Dental costs/ materials	0	0
Laboratory chemicals and reagents	0	0
Public health activities	0	0
Food and Ration	562,020	639,730
Uniform, clothing, and linen	0	0
Dressing and Non-Pharmaceuticals	0	0
Pharmaceutical supplies (Meds)	110,660	0
Health information stationery (Records Materials)	172,750	233,450
Reproductive health materials	0	0
Sanitary and cleansing Materials	108,250	225,050
Purchase of Medical gases	0	0
X-Ray/Radiology supplies	92,500	319,500
Other medical related clinical costs (Kemsa)	1,695,305	0
Total medical/ clinical costs	**2,741,485**	**1,525,730**

16. Employee Costs

Description	2023-2024	2022-2023
	Kshs	Kshs
Salaries, wages, and allowances	824,530	1,230,005
Pending salary	113,000	0
Staff Salary	33,594,425	0
Locum	306,000	0
Staff medical expenses and Insurance cover	31,600	32,940
Group personal accident insurance and WIBA	0	0
Social contribution	57,852	38,432
Other employee costs *(specify)*	0	0
Employee costs	**34,927,407**	**1,301,377**

Notes to the Financial Statements (Continued)

17. Board of Management Expenses

Description	2023/2024	2022/2023
	Kshs	Kshs
Chairman's Honoraria	0	0
Sitting allowance	0	0
Mileage	0	0
Insurance expenses	0	0
Induction and training	0	0
Travel and accommodation allowance	0	0
Airtime allowances	0	0
Total	**0**	**0**

18. Depreciation and Amortization Expense

Description	2023/2024	2022/2023
	Kshs	Kshs
Property, plant and equipment	0	0
Intangible assets	0	0
Investment property carried at cost	0	0
Total depreciation and amortization	**0**	**0**

19. Repairs And Maintenance

Description	2023-2024	2022-2023
	Kshs	Kshs
Property- Buildings	326,270	311,310
Medical equipment	0	0
Office equipment	0	0
Furniture and fittings	0	0
Computers and accessories	0	0
Motor vehicle expenses	273,050	307,460
Maintenance of civil works	0	0
Total repairs and maintenance	**599,320**	**618,770**

Notes to the Financial Statements (Continued)

20. Grants And Subsidies

Description	2023/2024	2022/2023
	Kshs	Kshs
Community development and social work	0	0
Education initiatives and programs	0	0
Free/ subsidised medical camp	0	0
Disability programs	0	0
Free cancer screening	0	0
Social benefit expenses	0	0
Other grants and subsidies(*specify*)	0	0
Total grants and subsidies	**0**	**0**

21. General Expenses

Description	2023-2024	2022-2023
	Kshs	Kshs
Advertising and publicity expenses	0	0
Catering expenses	29,650	0
Waste management expenses	0	0
Insecticides and rodenticides	0	0
Audit fees	0	0
Bank charges	4,479	0
Conferences and delegations	0	0
Consultancy fees	0	0
Contracted services	0	0
Electricity expenses	270,000	280,000
Fuel and Lubricants	611,780	567,740
Other fuels	110,440	0
Research and development expenses	0	0
Travel and accommodation allowance	735,705	727,900
Legal expenses	0	0
Licenses and permits	0	0
Courier and postal services	0	0
Printing and stationery	322,030	514,290
Hire charges	0	0
Rent expenses	0	0
Water and sewerage costs	114,500	95,000

Description	2023-2024	2022-2023
	Kshs	Kshs
Skills development levies	0	0
Telephone and mobile phone services	162,000	204,000
Internet expenses	0	0
Staff training and development	0	0
Subscriptions to professional bodies	0	0
Subscriptions to newspapers periodical, magazines, and gazette notices	0	0
Library books/Materials	0	0
Parking charges	0	0
Total General Expenses	**2,360,379**	**2,447,501**

22. Finance Costs

Description	2023/2024	2022/2023
	KShs	KShs
Borrowings (amortized cost) *	0	0
Finance leases (amortized cost)	0	0
Interest on Bank overdrafts/Guarantees	0	0
Interest on loans from commercial banks	0	0
Total finance costs	**0**	**0**

23. Gain/Loss on Disposal of Non-Current Assets

Description	2023/2024	2022/2023
	KShs	KShs
Property, plant, and equipment	0	0
Intangible assets	0	0
Other assets not capitalised (*specify*)	0	0
Total gain on sale of assets	**0**	**0**

24. Unrealized Gain On Fair Value Investments

Description	2023/2024	2022/2023
	KShs	KShs
Investments at fair value	0	0
Total gain	**0**	**0**

Notes to the Financial Statements (Continued)

25. Medical Services Contracts Gains /Losses

Description	2023/2024	2022/2023
	KShs	KShs
Comprehensive care contracts with NHIF	0	0
Non- Comprehensive contracts care with NHIF	0	0
Linda Mama Program	0	0
Waivers and Exemptions	0	0
Total Gain/Loss	**0**	**0**

26. Impairment Loss

Description	2023/2024	2022/2023
	KShs	KShs
Property, plant, and equipment	0	0
Intangible assets	0	0
Investments	0	0
Total impairment loss	**0**	**0**

27. Cash And Cash Equivalents

Description	2023-2024	2022-2023
	KShs	KShs
Current accounts	511	52,253
Revenue account	58,895	0
Fixed deposits accounts	0	0
Cash in hand	0	0
Others(*specify*)- Mobile money	0	0
Total cash and cash equivalents	**59,406**	**52,253**

Notes to the Financial Statements (Continued)

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

Description		**2023-2024**	**2022-2023**
Financial institution	**Account number**	**KShs**	**KShs**
a) **Current account**			
Kenya Commercial bank	1220157570	511	52,253
Kenya Commercial bank	1284082741	58,895	0
Sub- total		**59,406**	**52,253**
b) On - call deposits			
Kenya Commercial bank		0	0
Equity Bank – etc		0	0
Sub- total		**0**	**0**
c) Fixed deposits account			
Bank Name		0	0
Sub- total		**0**	**0**
d) Others(*specify*)		0	0
cash in hand		0	0
Mobile money- Mpesa, Airtel money		0	0
Sub- total		**0**	**0**
Grand total		**59,406**	**52,253**

28. Receivables From Exchange Transactions

Description	**2023-2024**	**2022-2023**
	KShs	**KShs**
Medical services receivables	3,381,344	3,103,749
Rent receivables	0	0
Other exchange debtors	0	0
Less: impairment allowance	(0)	(0)
Total receivables	3,381,344	3,103,749

Notes to the Financial Statements (Continued)

Analysis of Receivables From Exchange Transactions

Description	2023/2024		2022/2023	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	3,381,344	85%	3,103,749	78%
Between 1- 2 years	0	%	0	%
Between 2-3 years	0	%	0	%
Over 3 years	0	%	0	%
Total (a+b)	**3,381,344**	**85%**	**3,103,749**	**78%**

29. Receivables From Non-Exchange Transactions

Description	2023-2024	2022-2023
	KShs	KShs
Transfers from the County Government	887,440	500,000
Undisbursed donor funds	0	0
Other debtors (*non-exchange transactions*)	0	0
Less: impairment allowance	(0)	(0)
Total	**887,440**	**500,000**

Analysis of Receivables From Non-Exchange Transactions

Description	2023-2024		2022-2024	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	887,440	15%	500,000	1%
Between 1- 2 years	0	%	0	%
Between 2-3 years	0	%	0	%
Over 3 years	0	%	0	%
Total (a+b)	**887,440**	**15%**	**500,000**	**1%**

Notes to the Financial Statements (Continued)

30. Inventories

Description	2023-2024	2022-2024
	KShs	KShs
Pharmaceutical supplies	754,495	0
Maintenance supplies	0	0
Food supplies	0	0
Linen and clothing supplies	0	0
Cleaning materials supplies	0	0
General supplies	0	0
Less: provision for impairment of stocks	(55215)	(0)
Total	**699,280**	**0**

31. Property, Plant and Equipment

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
Cost								
At 1 July 2022 (previous year)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Additions	0	0	0	0	-	-	**0**	**0**
Disposals	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Transfers/adjustments	0	0	(0)	**0**			**0**	**(0)**
At 30th Jun 2023	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
At 1 July 2023 (current year)	0	0	0	0	0	0	0	**0**
Additions	0	0	0	0	0	0	0	**0**
Disposals	(0)	(0)	(0)	(0)	(0)	(0)	(0)	**(0)**
Transfer/adjustments		0		0			(0)	-
At 30th Jun 2024	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Depreciation and impairment								
At 1 July 2022 (previous year)		**0**	**0**	**0**	**0**	**0**		**0**
Depreciation for the year		0	0	0	0	0		**0**
Disposals		(0)	(0)	(0)	(0)	(0)		(0)
Impairment		(0)	(0)	(0)	(0)	(0)		**(0)**
At 30 June 2023		**0**	**0**	**0**	**0**	**0**		**0**

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
At July 2023 (current year)		**0**	**0**	**0**	**0**	**0**		**0**
Depreciation		0	0	0	0	0		**0**
Disposals		(0)	(0)	(0)	(0)	(0)		(0)
Impairment		(0)	(0)	(0)	(0)	(0)		**(0)**
Transfer/adjustment		**0**	-	**0**	-	-	(0)	**(0)**
At 30th June 2024		**0**	**0**	**0**	**0**	**0**	**0**	**0**
Net book values								
At 30th Jun 2023(previous)	0	0	0	0	0	0	0	0
At 30th Jun 2024 (current)	0	0	0	0	0	0	0	0

Notes to the Financial Statements (Continued)

32. Intangible Assets-Software

Description	2023/2024	2022/2023
	KShs	KShs
Cost		
At beginning of the year	0	0
Additions	0	0
Additions–Internal development	0	0
Disposal	(0)	(0)
At end of the year	**0**	**0**
Amortization and impairment		
At beginning of the year	0	0
Amortization for the period	0	0
Impairment loss	0	0
At end of the year	0	0
NBV	**0**	**0**

33. Investment Property

Description	2023/2024	2022/2023
	KShs	KShs
At beginning of the year	**0**	**0**
Additions	0	0
Disposals during the year	(0)	(0)
Fair value gain	0	0
Depreciation (*where investment property is at cost*)	(0)	(0)
Impairment	(0)	(0)
At end of the year	**0**	**0**

Notes to the Financial Statements (Continued)

34. Trade and other Payables

Description	2023-2024		2022-2023	
	KShs		KShs	
Trade payables	774,440		0	
Employee dues	113,000		0	
Third-party payments *(e.g. unremitted payroll deductions)*	0		0	
Audit fee	0		0	
Doctors' fee	0		0	
Total trade and other payables	**887,440**		**0**	
Ageing analysis:	**Current FY**	**% of the Total**	**Comparative FY**	**% of the total**
Under one year	**887,440**	%	0	%
1-2 years	0	%	0	%
2-3 years	0	%	0	%
Over 3 years	0	%	0	%
Total	**887,440**	%	**0**	%

35. Refundable Deposits from Customers/Patients

Description	2023/2024		2022/2023	
	KShs		KShs	
Medical fees paid in advance	0		0	
Credit facility deposit	0		0	
Rent deposits	0		0	
Others (*specify*)	0		0	
Total deposits	**0**		**0**	
Ageing analysis:	**Current FY**	**% of the Total**	**Comparative FY**	**% of the Total**
Under one year	0	%	0	%
1-2 years	0	%	0	%
2-3 years	0	%	0	%
Over 3 years	0	%	0	%
Total	**0**	%	**0**	%

36. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year	**0**	**0**	**0**	**0**
Additional Provisions	0	0	0	0
Provision utilised	(0)	(0)	(0)	(0)
Change due to discount & time value for money	(0)	(0)	(0)	(0)
Total provisions	**0**	**0**	**0**	**0**
Current Provisions	0	0	0	0
Non-Current Provisions	0	0	0	0
Total Provisions	**0**	**0**	**0**	**0**

37. Finance Lease Obligation

Description	2023/2024	2022/2023
	Kshs	Kshs
Current Lease obligation	0	0
Long term lease obligation	0	0
Total	**0**	**0**

38. Deferred Income

Description	FY2023/2024	FY2022/2023
	KShs	KShs
Current Portion	0	0
Non-Current Portion	0	0
Total	**0**	**0**

Notes to the Financial Statements (Continued)

38 (a) The deferred income movement is as follows:

Description	National government	International funders/ donors	Public contributions and donations	Total
Balance b/f	**0**	**0**	**0**	**0**
Additions during the year	0	0	0	0
Transfers to Capital fund	(0)	(0)	(0)	(0)
Transfers to statement of financial performance	(0)	(0)	(0)	(0)
Other transfers (*Specify*)	(0)	(0)	(0)	(0)
Balance C/F	**0**	**0**	**0**	**0**

39. Borrowings

Description	2023/2024	2022/2023
	KShs	KShs
Balance at beginning of the period	**0**	**0**
External borrowings during the year	0	0
Domestic borrowings during the year	0	0
Repayments of external borrowings during the year	(0)	(0)
Repayments of domestic borrowings during the year	(0)	(0)
Balance at end of the period	**0**	**0**

39. (a) Breakdown of Long- and Short-Term Borrowings

Description	2023/2024	2022/2023
	KShs	KShs
Current Obligation	0	0
Non-Current Obligation	0	0
Total	**0**	**0**

Notes to the Financial Statements (Continued)

40. Service Concession Arrangements

Description	2023/2024	2022/2023
	KShs	KShs
Fair value of service concession assets recognized under PPE	0	0
Accumulated depreciation to date	(0)	0
Net carrying amount	**0**	**0**
Service concession liability at beginning of the year	0	0
Service concession revenue recognized	(0)	(0)
Service concession liability at end of the year	**0**	**0**

41. Social Benefits

Description	2023/2024	2022/2023
	Kshs	Kshs
Health social benefit scheme	0	0
Unemployment social benefit scheme	0	0
Orphaned and vulnerable benefit scheme	0	0
People Living with Disabilities benefit Scheme	0	0
Elderly social benefit scheme	0	0
Bursary social benefits	0	0
Total	**0**	**0**
Current social benefits	0	0
Non- current social benefits	0	0
Total (tie to totals above)	**0**	**0**

42. Cash Generated from Operations

Description	2023/2024	2022/2023
	KShs	KShs
Surplus for the year before tax	0	0
Adjusted for:		
Depreciation	0	0
Non-cash grants received	(0)	(0)
Impairment	0	0
Gains and losses on disposal of assets	(0)	(0)
Contribution to provisions	0	0
Contribution to impairment allowance	0	0
Working Capital adjustments		
Increase in inventory	(0)	(0)
Increase in receivables	(0)	(0)
Increase in deferred income	0	0
Increase in payables	0	0
Increase in payments received in advance	0	0
Net cash flow from operating activities	**0**	**0**

43. 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 2023 (previous year)				
Receivables from exchange transactions	0	0	0	0
Receivables from –non-exchange transactions	0	0	0	0
Bank balances	0	0	0	0
Total	**0**	**0**	**0**	**0**
At 30 June 2024 (current year)				
Receivables from exchange transactions	0	0	0	0
Receivables from –non-exchange transactions	0	0	0	0
Bank balances	0	0	0	0
Total	**0**	**0**	**0**	**0**

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 0x 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.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2024				
Trade payables	0	0	0	0
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Deferred income	0	0	0	0
Employee benefit obligation	0	0	0	0
Total	**0**	**0**	**0**	**0**
At 30 June 2024				
Trade payables	0	0	0	0
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Deferred income	0	0	0	0
Employee benefit obligation	0	0	0	0
Total	**0**	**0**	**0**	**0**

(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:

Description	KShs Kshs	Other currencies	Total Kshs
At 30 June 2024			
Financial assets (investments, cash, debtors)	0	0	0
Liabilities			
Trade and other payables	0	0	0
Borrowings	0	0	0
Net foreign currency asset/(*liability*)	**0**	**0**	**0**

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

Description	KShs	Other currencies	Total
	Kshs		Kshs
At 30 June 2024			
Financial assets (investments, cash, debtors)	0	0	0
Liabilities			
Trade and other payables	0	0	0
Borrowings	0	0	0
Net foreign currency asset/(*liability*)	**0**	**0**	**0**

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
2022/23 (previous year)			
Euro	10%	0	0
USD	10%	0	0
2023/2024(current year)			
Euro	10%	0	0
USD	10%	0	0

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 0 (2024: KShs 0). A rate increase/decrease of 5% would result in a decrease/increase in surplus of KShs 0 (2024 – KShs 0).

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:

Description	2023/2024	2022/2023
	Kshs	Kshs
Revaluation reserve	0	0
Retained earnings	0	0
Capital reserve	0	0
Total funds	0	0
Total borrowings	0	0
Less: cash and bank balances	(0)	(0)
Net debt/ (*excess cash and cash equivalents*)	0	0
Gearing	0%	0%

44. 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.

0 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

Description	2023/2024	2022/2023
	Kshs	Kshs
Transactions with related parties		
a) Services offered to related parties		
Services to 0	0	0
Sales of services to 0	0	0
Total	**0**	**0**
b) Grants from the Government		
Grants from County Government	0	0
Grants from the National Government Entities	0	0
Donations in kind	0	0
Total	**0**	**0**
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for 0 employees	0	0
Payments for goods and services for 0	0	0
Total	**0**	**0**
d) Key management compensation		

Description	2023/2024	2022/2023
	Kshs	Kshs
Directors' emoluments	0	0
Compensation to the medical Sup	0	0
Compensation to key management	0	0
Total	**0**	**0**

45. Segment Information

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

46. Contingent Liabilities

Contingent liabilities	2023/2024	2022/2023
	Kshs	Kshs
Court case 0 against the hospital	0	0
Bank guarantees in favour of subsidiary	0	0
Total	**0**	**0**

47. Capital Commitments

Capital Commitments	2023/2024	2022/2023
	Kshs	Kshs
Authorised For	0	0
Authorised And Contracted For	0	0
Total	**0**	**0**

48. Events after the Reporting Period

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

49. Ultimate and Holding Entity

The entity is a State Corporation/ or a Semi- Autonomous Government Agency under the Department of 0. Its ultimate parent is the County Government of 0.

50. Currency

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

19. Appendices

Appendix 1: Progress on Follow Up of Auditor Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
1. Omission of Comparative Refunds to County Government Balance The statement of financial performance and as disclosed in Note 13 to the financial statements reflects Nil comparative balance on refunds to County Government. However, the closing balance on same item reflects Kshs.1,984,805 resulting in an unexplained variance of same amount. In the circumstances, the accuracy and completeness of the Nil comparative balance on refunds to County Government could not be confirmed.				2025
2. Non-Disclosure of Property, Plant and Equipment The statement of financial position and as disclosed in Note 16 to the financial statements reflects Nil				2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
balance on property, plant and equipment. However, the facility has three (3) acres of freehold land, buildings, two (2) motor vehicles movable and non-movable assets of undetermined value relating to land, buildings, and computers. Further, the land on which the hospital is built and the developments therein did not have ownership documents. In the circumstances, the accuracy and completeness of Nil balance on property, plant and equipment could not be confirmed.				
3. Undisclosed Inventories Balances The statement of financial position reflects no inventories for the facility. However, review of the records revealed that pharmaceutical and non-pharmaceutical items in the stores during the year under review. Further, the Management did not undertake end year stock take of inventories at the end of the year under review. In the circumstances, the accuracy and completeness of no inventories could not be				2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
confirmed.				
4. Hospital Operating without a Budget The statement of .comparison of budget and actual amounts reflects revenue from exchange transactions of Ksh.3,103,749. However, there was no budget or targets for the own revenue collection, and the management did not perform reconciliations for the revenue collected during the year. In the circumstances, the effectiveness of generating own revenue mechanisms may not be effective				2025
5. Non - Compliance with Requirements in Universal Health Care (UHC) Verification of services offered, equipment used and number of members of staff at the Hospital revealed that during the year under review, the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits.				2025
6. Lack of Disaster Recovery Plan During the audit, the hospital did not have in place a disaster recovery				2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
plan/ business continuity plan. In the circumstances, the Management may not be in position to identify potential disaster(s), put measures of preventing and mitigating against disasters and ensuring that its operations are not interrupted				
7. Failure to Establish Audit Committee and Operations of Internal Audit Unit During the year under review, the Hospital did not establish an audit committee. This was contrary to Regulation 167(1) of the Public Finance Management (County Governments) Regulations 2015, which requires each County Government entity to establish an Audit Committee. Further, Management did not rely on the Internal Audit Department of the Kitui County Executive as there was no evidence that the Hospital had been audited by Internal Audit department from the County Executive. In the circumstances, the internal controls, risk management and governance				2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
of the hospital may not be effective				
8. Lack of Risk Management Policy During the year under review, the Hospital did not have a risk management policy that is signed and approved by the hospital board in place. This was contrary to Regulation 158 of the Public Finance Management (County Governments) Regulations, 2015 that provides that the County Government entity shall develop risk management strategies, which include fraud prevention mechanism; and a system of risk management and internal control that builds robust business operations. In the circumstances, the internal controls and risk management of the hospital may not be effective.				2025

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.

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Accounting Officer

Dr. Gideon Ngumi

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							
2							
3							

Appendix III: Inter-Entity Confirmation Letter

Name of Transferring entity…KITUI COUNTY GOVERNMENT……

Name of Beneficiary entity…ZOMBE SUB COUNTY HOSPITAL……..

Confirmation of amounts received by Zombe Sub County Hospital as at 30th June 2024

	Amounts Disbursed by [SC/SAGA/Fund] (KShs) as at 30th June 2024					Amount Received by Hospital (KShs) as at 30th June 2024	Differences (KShs) (F)=(D-E)
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Inter–Ministerial (C)	Total (D)=(A+B+C)		
REC/0001090113	14 Aug 23	500,000	-	-	500,000		-
REC/0001091140	13 Sep 23	500,000	-	-	500,000		-
REC/0001091952	29 Sep 23	500,000	-	-	500,000		-
REC/0001093320	27 Oct 23	500,000	-	-	500,000		-
REC/0001094635	01 Dec 23	500,000	-	-	500,000		-
REC/0001095887	04 Jan 24	500,000	-	-	500,000		-
REC/0001097610	02 Feb 24	500,000	-	-	500,000		-
REC/0001098973	06 Mar 24	500,000	-	-	500,000		-
REC/0001099833	04 Apr 24	500,000	-	-	500,000		-
REC/0001100735	16 May 24	500,000	-	-	500,000		-
REC/0001101858	10 Jun 24	112,560	-	-	112,560		-
FT243323CRGH	27 Nov 24	887,440			887,440		-
Total		6,000,000	-	-	6,000,000	-	-

Confirmation of amounts received by Zombe Sub County Hospital as at 30th June 2024

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

Head of Accounts Department - Disbursing Entity:

Name ..... Sign ..... Date .....

Head of Accounts Department - Beneficiary Entity:

Name ..... Sign ..... Date.....

Appendix IV Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities	Quarter				Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

Appendix V: Disaster Expenditure Reporting Template

Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments